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WHY WAR ?

Because one nation makes
a better product than another
and sells it for less $.

problem is solved when
'other' nation resorts to war
To regain Lost market !

WHY WAR

BY

FREDERIC C. HOWE, PH.D., LL.D.

COMMISSIONER OF IMMIGRATION AT THE PORT OF NEW YORK

AUTHOR OF "SOCIALISED GERMANY," "EUROPEAN CITIES AT WORK," "THE MODERN CITY AND ITS PROBLEMS," "PRIVILEGE AND DEMOCRACY IN AMERICA," ETC.

NEW YORK
CHARLES SCRIBNER'S SONS
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Published April, 1916

TO

PRESIDENT WOODROW WILSON

WHOSE SYMPATHIES FOR
WEAKER NATIONS AND RECOGNITION OF THE RIGHTS OF STRUGGLING
PEOPLES HAVE SHIELDED MEXICO AND
CHINA AND SAVED US FROM THE CONSEQUENCES OF
FINANCIAL IMPERIALISM

THIS BOOK

IS GRATEFULLY DEDICATED

PREFACE

MODERN war is the result of a combination of explosives much as a thunder-storm is the result of a combination of unusual atmospheric conditions. The spark may be ignited in Berlin, Petrograd, Vienna, or London, but the explosive combination is likely to be found in obscure portions of the world.

The cause of the present European war is not to be discovered in the White Book, the Yellow Book, or the Orange Book; the war did not originate in the capitals of Europe, even though the first overt acts were there committed. The war is not the result of patriotic uprisings on the part of the people, of the overcrowding of population, of any social unrest at home, or a national desire for overseas markets. The war is not the personal war of any ruler as were the wars of Frederick the Great or Napoleon, as were the wars of Bismarck fifty years ago. In its final causes it is not a war of aggression or defense, as were the recent wars of Germany, Austria, Italy, and France. When the history of the war is finally written these forces will be found to be of secondary importance. The real cause of the war is to be found far back of the summer of 1914; it is to be found in the new economic

and financial forces set in motion in the closing years of the last century.

The present war and the wars of the past ten years are the result of endless conflicts and suspicions, of balked ambitions and fears, of diplomatic overreachings and injured dignity, of a thousand irritations that do not appear in the diplomatic correspondence. Present-day wars are primarily the result of the conflict of powerful economic interests radiating out from the capitals of Europe, which, with the foreign office behind them, have laid the whole world with explosives which only needed a spark to set all Europe aflame. Surplus wealth seeking privileges in foreign lands is the proximate cause of the war just as wealth seeking monopoly profits is the cause of the civil conflicts that have involved our cities and States. It is the struggle of high finance bent on the exploitation of weaker peoples that has turned Europe into a human slaughter-house and arrayed 400,000,000 peaceful people against one another in a death struggle.

When the story of the war comes to be written the origin will be found hidden in the diplomatic victories and resentments over Morocco and Turkey rather than in the murder of the Archduke Ferdinand; it will be found in the aggressions of British, French, and German financiers and concession seekers rather than in the ambitions of the Czar

or Kaiser; it will be found in the struggle for the exploitation of weaker peoples, of whom no less than 140,000,000 together with 10,000,000 square miles of territory have fallen under the dominion of Great Britain, France, and Germany during the last thirty years.

These conflicts have been on a titanic scale. They have led to the ending of the liberties of free peoples, to colonies and protectorates, to the closed door, to the imprisonment of the Mediterranean, to the raising of obstacles and Gibraltars to freedom of trade and commerce. They have created a thousand rumors, suspicions, and hatreds, a great increase in armaments for the protection of private investments; they have given birth to diplomatic intrigues and demonstrations of force that have changed a conflict of private groups into a conflict of peoples.

Behind these private groups of financiers and concession seekers one finds the foreign office and diplomacy, the war lords and the ruling caste. Together they have made common cause with the munition makers and the trading classes. These classes own or control great portions of the press. They mould public opinion. They control political advancement. They are society. These forces are the state much as Louis XIV or Frederick the Great was the state. Outside of France, and to some extent Great Britain and Italy, the state in its for-

eign relations is little more than the political and financial will of the ruling classes. It is a merger of seventeenth and twentieth century feudalism.

Any question as to the correctness of this interpretation of the cause of the European war will, I think, be laid at rest by a reading of the record of British penetration into Egypt and Africa; of French aggressions in Algeria, Tunis, and Morocco; of the partition of Persia by Russia and England; of German relations with Turkey; of the intrigues and bad faith of the powers toward the Balkan states, China, Persia, and Morocco; of the struggles of the powers over the building of the Bagdad Railway; of the intimacy of the munition makers and the financiers with their respective governments and foreign offices; of the balked ambitions of the mine-owners that brought on the Boer War; of the diplomatic moves of the chancelleries of Europe during the last quarter of a century.

And were we moved by acts of oppression committed by the Christian powers as we are by the atrocities of the Turks in Armenia, we should find in these records a story of cruelty and disregard of human rights and liberties that has few parallels in modern times.

In this record there is little to distinguish the act of one nation from another's. If greater emphasis seems to be laid on the acts of Great Britain and France it is due to the fact that greater liberty of

expression prevails in these countries than in Germany and Russia, and the records have been more frankly exposed to view. But a cross-section of one nation is a cross-section of the other. Financial morals are the same the world over when weaker peoples are involved. The indictment is against the ruling classes, not against the people; it is against Junkerism in politics, in diplomacy, and primarily in finance. But it is not the Junkerism of Germany alone, it is the Junkerism of England, Russia, and Austria-Hungary as well.

As a result of the European war the United States is confronted with the same forces that have drawn Europe into the present conflict. Ambitions and fears have been aroused that have united the privileged classes in a movement for financial imperialism, for a great naval programme, for colossal expenditures for preparedness, and unless some hand interpose to prevent it the ideals of America and the democratic traditions of a century will be submerged in the new imperialistic programme that has no place in our life.

The gravest danger to the country is from within. The danger is as real as any that ever confronted us. Private interests are at war with the interests of the nation. They menace our peaceful security. Surplus wealth has appeared. We have become a creditor nation. The resources and railroads of the country have passed under monopoly control. The

colossal profits of the past two decades from exploitation are no longer possible. They can only be secured in the less-developed places of the globe, where backward peoples and lack of capital offer opportunities for investment. These are the conditions that have preceded imperialism and aggression the world over. Surplus wealth in search of monopoly profits led the financiers of Europe into distant parts. Here they came into conflict with other financiers in search of similar gains. To protect their investments and insure their loans and concessions the investors demanded a great military and naval establishment. The foreign offices and governments became involved. Irritations and diplomatic controversies finally ripened into war as the only means for the arbitrament of the conflict.

This is the danger which now confronts us. It is a danger from within rather than from without. It is a danger we should anticipate and provide against, just as we provide against a foreign foe. And if we take adequate precautions against the foes within the country we shall safeguard ourselves against those without. For if the war in Europe teaches anything it is that the foes within are responsible for the foes without. It is they who are the jingoes, it is they who are loudest in advocating preparedness, it is they who talk most of national dignity and honor. It is they, too, who insist on the destiny of the country and a place in the sun. There

is scarcely a war or war scare of the past twenty years, unless it be those of the Balkans, that, in its last analysis, is not the result of the activities of individuals and classes within the country rather than of aggressive foes from without.

In the gathering of material for this book I have received valuable assistance, which I desire to acknowledge, from Miss Gertrude Borchard.

FREDERIC C. HOWE.

New York, March, 1916.

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WHY WAR

CHAPTER I

THE PEOPLE AND WAR

THE present European war is not a people's war. It is not a race war. Prior to its outbreak no national boundaries were menaced, no national honor was assailed. Even to-day, after eighteen months of conflict, there is no agreement as to what the war is about. Four hundred million people are engaged in a death struggle, fifty billions of wealth has already been wasted, all Europe is a charnel house, and the cause of it is shrouded in mystery.

The war is not a struggle of Slav and Teuton, of Anglo-Saxon and Latin. There is no race surge, no race hunger for the lands of other peoples; there is no lust for overseas expansion as an outlet for an overcrowded population at home. There is no such thing as race hatred among the people. This is fiction of the press, of foreign ministers, of the war classes.

People do not want war. War springs from causes wholly outside the lives, interests, and feelings of the people.

Nor are wars made by peoples. There would be some excuse for wars if they were. Not even in democratic countries are the people consulted. No

poll of the voters is taken; no effort is made to ascertain public opinion. Even the elected representatives only register their assent to an accomplished fact.

Bismarck drove Prussia into war with Denmark, and later with Austria to Prussianize Germany and advance the house of Hohenzollern. By his own admission he altered a telegram to bring about war with France. The Crimean War was a diplomats' war. The Boer War was not a people's war. It was largely a mine-owners' war. The Russo-Japanese War was certainly not a people's war, for in neither country is there more than a semblance of popular government.

The present European war was not made by the people. In none of the warring nations were the people considered, in none of the countries was there any discussion; in none was there opportunity for delay, for negotiations, for knowledge outside of the cabinets, war offices, or ruling houses. And with the possible exception of France there was no national grievance, no promptings of revenge, no knowledge of what the trouble was all about.

Tens of millions of men have been taken from their homes and sent to the trenches for reasons which have not been explained to them or by virtue of secret alliances in whose making and as to whose propriety the people had no voice.

Wars are made by irresponsible monarchs, by ruling aristocracies, by foreign ministers and diplomats. Wars are made by privileged interests, by financiers, by commercial groups seeking private profit in foreign lands. Wars are made in the dark behind closed doors. War is still the plaything of ruling classes, much as it was in the time of Richelieu and Mazarin, of Frederick the Great and Napoleon.

CHAPTER II

THE WAR LORDS

THE important fact about Europe is this: the greater powers, with the exception of France, have not wholly emerged from feudalism. The forms have changed; the personal relations of master and serf have been abolished, but the essentials of feudalism, political, economic, and social, remain. Constitutions have been adopted, but they legalized the power of the feudal classes which had previously been enjoyed by force. The constitutions were written by the old aristocracy and ruling houses which modified the old order by admitting the business and commercial classes to some participation in the government. This is the essential meaning of the political changes and revolutions of the nineteenth century. The bourgeoisie were granted political recognition, not on terms of equality, not to an equal voice in the affairs of the nation, but on such terms as the old nobility fixed. Even to-day, except in France and Italy, neither political equality nor universal suffrage exists in the warring countries of Europe. There still remain the hereditary

upper chambers, the House of Lords, the Bundesrath, the grand dukes, which have an equal and generally a controlling voice in the state, and into which chambers the commercial and working classes have never been admitted.

The feudal nobility is still supreme in the politics of Europe, and outside of France, Italy, and Great Britain it is the only voice in the great powers that is really heard. In most essentials the old order remains as it was. This is particularly true of the central powers and Russia, into which the influences of the French Revolution scarcely penetrated. In many respects it is true of Great Britain as well.

The nations immediately responsible for the present war are those in which the people have only a suggestion of power. In Germany, Russia, and Austria-Hungary the rule is still in the hands of hereditary rulers, of the feudal nobility, which fills the higher offices of state and through its position and power controls the government, the press, freedom of speech, and the right of discussion as well.

Germany.

Germany is ruled by the Kaiser and the aristocracy, and the rule is only less complete than it was in the time of Frederick the Great. There is only an appearance of representative government or popular control. There is a constitution, it is true, but a constitution imposed on Germany by Bismarck in 1867, after the defeat of Austria, and modified in

unimportant particulars after the overthrow of France, in 1871. The twenty-six states and free cities which comprise the empire were united under the Prussian yoke, partly through choice and partly through coercion. In none of the states were the people consulted.

Under this constitution Prussia controls the empire. And Prussia in turn is ruled by the old feudal aristocracy, which remains only less reactionary than it was in the eighteenth century. Bismarck's ambition was the substitution of Prussia for Austria as the dominant power in the federation of German states. He loved his King, he loved Prussia, and he loved the old feudal aristocracy, to which he himself belonged. And the constitution which he imposed upon Germany achieved the supremacy of this trinity. Under it the Prussian aristocracy rules with much of the irresponsibility of two hundred years ago, before the advent of constitutions, ministries, and a popular ballot. The Junker is assured control by a constitution that can only be changed by the consent of the Junker himself. It cannot be changed by the people; it cannot be changed by the action of all of the other twenty-six states in the empire, for by its terms Prussia can veto any amendments that may be offered. And under the constitution of Prussia the Junker is supreme. Thus the Junker is the final arbiter in the constitution of Germany.

The Kaiser and Parliament.

A ruling caste based upon the possession of landed property was written into the German constitution. The King of Prussia was made hereditary Emperor. With the consent of the Bundesrath he can declare war and make peace. He is commander of the army and the navy. He appoints the chancellor of the empire, who is his personal representative and is responsible to him alone. The chancellor is not responsible to parliament, as in all other constitutional monarchies; he is not the leader of a party, and is in no wise responsive to the people or to their elected representatives.

There are two houses in parliament: one the Reichstag, or lower house, and the other the Bundesrath, or senate. Members of the Reichstag are elected by manhood suffrage. But the Reichstag is not a popular parliament like the House of Commons. The real legislative body is the Bundesrath, which is made up of 58 representatives or agents appointed by the rulers of the twenty-six states. And it is a monarchical body, strongly conservative in all its leanings. It is responsible only to the ruling houses. Its members are not elected, and they vote as the individual states direct. The meetings of the Bundesrath are secret. In this chamber Prussia has 18 votes out of 58, and no change can be made in the constitution if opposed by 14 votes.

By this constitutional legerdemain Germany is

ruled by the Kaiser and his appointed chancellor and the delegates appointed by the royal houses and the three free cities of Hamburg, Bremen, and Lübeck. It would be far better for Germany if she had no constitution. Then revolution would have a chance, as it did against Charles I and Louis XVI, as it did in 1830 and 1848. Under the constitution the appearance of popular government is given to an oligarchy. Feudalism has been legalized, with all of the sanctity which legality involves.

The Ascendancy of Prussia.

Even with all these obstacles to representative government the empire might have a popular sanction if Prussia had representative institutions. For Prussia, as said before, rules Germany. But the reverse is true. Prussia is the most reactionary of all of the states in the empire. It is far more reactionary than Bavaria, Saxony, Würtemberg, or Baden, which, while monarchical in form, are quite democratic in opinion, and in their constitutions as well.

The ascendancy of the Junker in Prussia is preserved by three devices. First, by the three-class system of voting; second, by the unjust distribution of seats in parliament; and third, by the open and indirect ballot.

There is no such thing as manhood suffrage in Prussia. Property, rather than people, votes. The voters are divided into three classes according to

the amount of income taxes paid by each. Then those who pay one-third of the taxes are checked off, and these elect the delegates, who in turn elect one-third of the representatives to parliament. Then a second third are checked off, and they in turn elect a second third of the representatives, while the great majority of the electors, who in small sums pay the final third of the income taxes, select the remaining third of the members. By this means from 3 to 10 per cent. of the qualified electors choose two-thirds of the representatives to parliament. And the large taxpayers who compose the first and second class of electors are the great estate owners or Junkers, who along with the Kaiser are the government.

Bismarck himself called the Prussian electoral system "the worst of all electoral systems." It is against this system that the Socialists and Radicals have protested for years.

Unfair Distribution of Seats in Parliament.

But even the control of the great estate owners might be overthrown under the three-class system of voting if the cities with their rich business and financial classes were given representation in parliament proportionate to the taxes paid by them. For Prussia contains most of the large cities in the empire, and during the past generation a powerful commercial aristocracy has arisen that craves full share of political power. Precautions were taken

against this danger by a distribution of parliamentary districts made while Prussia was still an agricultural country. This distribution has not been changed in fifty years, and the Junkers will not permit it to be changed. As a consequence, in Prussian elections property votes most powerfully when the property is landed. The mercantile classes are only less discriminated against than are the working classes. For instance, under this system Berlin has but 9 members in parliament, while it would have 24 if the districts were fairly distributed. This is characteristic of the other cities as well.

Finally, there is no secret ballot. The voting is open and viva-voce. In consequence, the peasant and the worker are afraid to express their opinions. They fear eviction, the loss of a job, or some other oppression from those who control their means of livelihood.

By these means Prussia is ruled by the landed aristocracy or Junkers almost as arbitrarily as in feudal times. There is only a semblance of popular government, and outside of the disfranchised classes no real belief in it. Only the Socialists and the Radicals remain of the revolutionary groups which prior to 1848 struggled so valiantly for a really constitutional government.

Were there any approach to popular government in Prussia the Socialists would be the largest single

party, if not the controlling one; for they are dominant in all of the cities and industrial districts, from all of which, with the possible exception of Cologne, Socialist deputies are returned to the Reichstag. As a matter of fact, however, the Socialists were until recently unable to elect a single member of the Prussian parliament, while the rich commercial classes of the cities (who should be in control even under the three-class system of voting if the districts were justly distributed) have a much smaller representation than their voting strength entitles them to.

The Ruling Caste.

These are the constitutional devices under which the Junker, or landed aristocrat, rules Germany. He rules with but little concern for public opinion. Certainly he is in no way responsive to it. He cares little for the political rights of the working classes. He has a contempt for the peasant who works on his estate. He stands aloof from the farmer and professional classes, and lives almost as isolated and detached as did his ancestors in an earlier age. Along with the Kaiser the Junker *is* the state. And he believes, as did Louis XIV, who coined the phrase: "The state! I am the state." Nowhere in Europe, unless it be in Russia and Austria, is the aristocracy as contemptuous of representative government and of all other classes as in Prussia.

But the power of the Junker does not end with his control of parliament. The Junker fills all of the important places in the empire. From this class come the chancellors and the ministers. The King's counsellors are almost all from the aristocracy. The Junker fills the high places in the foreign and diplomatic service. He officers the army and the navy. He closes the crack regiments against those who are not of his caste. From some of the regiments even the sons of merchant princes are excluded. The higher positions in the civil service are also reserved for him, as are practically all of the more dignified places of state administration.

War is the Junker's calling, just as it was two centuries ago. He is trained in the military schools. He works hard and laboriously. His salary is small, but his social position is the highest in the empire.

By reason of his power and social position the Junker makes war the important thing in the empire. And this influence affects all of the upper classes. The merchants and middle classes are affected by it. The motive force of Junker statecraft, of science, and of legislation is war, the preservation of his privileges, and the advancement of German power.

Great Britain.

The government of Great Britain, with some important modifications, is lodged in the same classes

as it is in Germany. The forms are different, but the ultimate power is in the landed class, modified materially by the greater political recognition given to the commercial and working classes, as well as by the far greater freedom of speech, of the press, and of the individual which obtains. Great Britain does protect the liberties of the person, but she concedes far less popular government than is generally supposed.

This is not generally recognized, for England is the mother of parliaments. She has admitted all classes to the suffrage, though not on equal terms, for plural voting still obtains. Moreover, Great Britain is in many respects very democratic. The ministry is responsible to Parliament and to the party in power, rather than to the King. The budget is prepared by the House of Commons, and all of the externals of popular government are jealously insisted on. But that is one trouble with England. She is satisfied with externals. There is little critical analysis of the actual facts. There is veneration for things that are. So long as the forms are observed there is little complaint as to underlying realities.

The Power of the Aristocracy.

The monarchy exists for show purposes. The King has lost almost all substance of power. He is not even consulted on legislation and is only formally conferred with on cabinet appointments. His power began to wane with Magna Charta, when the

landed barons, the feudal estate owners, stripped him of some of his feudal rights. The process has continued ever since. The real power of the Crown ended with George III, and the privileges of kingship have been diminishing to the vanishing-point ever since.

The House of Lords has always been, and still is, a hereditary house of landlords. Only a minority of its members come from any other class. And these have little influence. The brewers, distillers, financiers, literary men, and lawyers have little voice in public affairs. It is the great landed proprietors who own practically all of the land of Great Britain that form the House of Lords. It has always been a house of landlords. That is what it is to-day.

Up to 1910 the House of Lords was supreme in legislation. The House of Commons was permitted to govern only so long as it kept its hands off the things the aristocracy owned. Legislation which touched the privileges of the ruling class was thrown out by the lords, who are the sanctuary of privilege in England, just as the grand seigneurs of France were the sanctuary of the abuses of the *ancien régime*.

Public Office an Aristocratic Privilege.

It is not through Parliament alone that the aristocracy rules. That is merely one means of control of the nation. Even a Liberal ministry contains representatives of the old nobility. The secretary of foreign affairs is almost always from the

aristocracy. The diplomats and foreign ambassadors are, with rare exceptions, from the same class, as are the representatives sent to rule the colonies and dependencies. The higher civil service is recruited from the gentry, while the army and navy are officered by it. The Church of England is part and parcel of the system, and is still supported by the ownership of land and by landed tithes paid by the tenants. The priesthood, from the highest dignitary to the poor, underpaid curate, is recruited from the younger sons and dependent relatives of the aristocrary. The "livings" are the personal patronage of the landed families. They are ecclesiastical "spoils."

Social Caste and Politics.

The professional classes also reflect the will of the aristocracy. The lawyer and solicitor are its handmaidens, for the aristocracy is the employing class. The solicitors manage the estates; the barristers appear for the aristocracy in court. The same is true of the professors and the teachers, especially in the older institutions of learning.

Caste is writ large in Great Britain. It is all-pervasive. Honors, preferment, and the doors of social recognition open and close to those who do the bidding of those who rule. In England there are a score of privileges before which men bow, and they are so entwined with the things men and women hold dear that they affect all classes.

All of the economic and social forces of the kingdom sustain the aristocracy. The control is so subtle that it cannot be assailed. The passion for a title weakens the conscience of the scientist and the poet, the artist and the dramatist, the editor and the statesman, the politician and the barrister. The lure of a knighthood quenches the fire of the agitator, and the radical of to-day becomes the cautious reformer of to-morrow. All these influences affect the nation; they influence its representatives. Progress has to make its way against fear of anything new and untried, of anything un-British.

Education and Caste.

Everything makes for the permanence of these conditions. Higher education is far less common than it is in America and Germany. The universities of Oxford and Cambridge are still governed in accordance with the traditions of the past. They are very expensive. They make no appeal to the poorer classes; there is no attempt on the part of the nation to extend their usefulness, as in America, Germany, and Denmark. The "public schools" which prepare for the universities are also the schools of the aristocracy, while the board or common schools have until very recently been under the influence of the established church.

This is the secret of the political and social power of the aristocracy. It is not necessary that the

constitution should confer power upon it. Power is conferred by custom, by tradition, by the control of the positions of distinction, and in the final analysis by the ownership of the land by the ruling class.

In Great Britain, as in Prussia, the people do not really rule. They participate freely in the government, they elect their representatives to Parliament, but the rule is still in the hands of the old feudal nobility, whose political and economic privileges remain only less sacred than they were in an earlier age.

Austria-Hungary.

Austria-Hungary is in many ways the most aristocratic state in Europe. There is a semblance of popular government, but the Emperor and the aristocracy rule. The electoral system is very confused, so as to keep down the warring nationalities which comprise the empire. The Senate, or the Upper House, like the Bundesrath in Germany, is composed of princes of the blood, archbishops and bishops, the heads of noble landowning families, and members appointed for life. The great estate owners also enjoy privileged places in the Lower House, as do representatives of chambers of commerce. There is only such freedom of speech, of the press, and assemblage as the bureaucracy permits. The warfare of a score of different nationalities is the controlling issue in domestic politics, and the ex-

pansion of the empire into the Balkans the impelling motive of foreign affairs.

The old feudal aristocracy rules in its own interests. It fills the higher positions in the court circles. It officers the army. It controls the foreign office. Its members form the diplomatic corps. Caste is writ large in the country, and except in Hungary and Bohemia there is little democratic spirit outside of the Socialist groups. The rule of the house of Hapsburg and the church has crushed the nation and left it a prey to the privileged classes.

Russia.

The people have no voice in the government of Russia. Revolution is the only form of expression. Politically, economically, and socially the position of the common people is much as it was in the seventeenth century. Serfdom is abolished in form but not in essence. Only the legal relationship of serfdom is gone. Russia is still feudal, and feudal in its most cruel forms.

The Czar reigns, but the grand dukes and the landowning aristocracy rule. They form the nation in so far as its politics, its social life, its foreign policy, and its internal administration are concerned. The landed aristocracy is exclusive. It controls the policies of state. There is scarcely a semblance of representation to even the commercial classes. Underneath the autocratic rule of Russia is the

feudal system with all of the arrogance and class-selfishness of an earlier age.

Alexander II announced to the nobles in emancipating the serfs in 1861: "It is better to hand down liberty to the people than to allow them to win it for themselves." And such emancipation as was granted is more profitable to the feudal landowner than was serfdom. It relieved him of responsibility and increased his power of expropriation. The ruling aristocracy was intrusted with the preparation of the laws freeing the serfs, and later with their execution. And they protected their own interests so well that the condition of the peasants was but little better after the emancipation than it was before. By the terms of the proclamation the serfs were to be freed without compensation to the owners, and were to be given enough land for their needs and to meet the requirements of the state. The government agreed to pay the landlords out of public loans and to collect the amount from the peasants, making the payments extend over forty-nine years. For two years after the decree of abolition there was to be a transitional stage of half-freedom.

The Peasant.

But emancipation has meant simply a change of masters for the serf. He is now the slave of the state instead of the slave of the landowner. It would seem to be to the advantage of a state to have

a prosperous peasantry. But in Russia the official class is the state, and the official class cares for little but its own immediate advantage. The aristocracy, as in France before the Revolution, collects the taxes from the wretched peasants, and makes them so high that they often exceed what the land will possibly produce. Such taxes are, of course, an absurdity; but the ruling classes do not want a free and independent peasantry but a new form of serfdom, by which the state will obtain all the peasant produces, except a mere subsistence for himself and his family. Taxes are so heavy and so unjustly distributed that the peasant must eke out his living by working on the large estates, thus providing the aristocracy with an abundant supply of cheap labor. The land allotted the peasants does not produce enough for their needs, and there have been frequent famines in various parts of the country. The government opposes the migration of the peasant in his effort to better his lot. He has to rent more land from the proprietor and pay for it in work, often having to pledge his work for years in advance to keep himself from starvation. Such contracts are enforced by the government.

The peasants' allotments have been growing smaller, because it is the policy of the government to keep the population on the land for fear of a city proletariat; and less than 12 per cent. of the people reside in towns. In Russia, with her primitive

methods of agriculture, 12½ dessiatines of land (33 acres) are needed to support a family. Theoretically, this was the amount allotted to each family after the emancipation. In practice the peasants were cheated from the start, and their holdings have since been steadily decreasing in size. By 1900 they had fallen to less than half what is considered necessary to support a family. Farm stock, always an indication of prosperity, has also decreased in the fifty provinces of European Russia. Live stock per 1,000 farms dropped from 9,329 in 1870 to 6,474 in 1900, and horses from 1,329 to 920. The percentage of horseless farms rose from 26.9 to 32.2 in the short period 1882–96. These are the official statistics, which in Russia are usually rose-colored.[1]

Exploitation by the Privileged Classes.

Russia represents the most notorious case of exploitation by the ruling classes. The government cares only for its absolutism and considers the degradation and ignorance of the peasants as a valuable safeguard to its security.

The peasant communities over most of the country own their land in common, and distribute it among their members periodically. The members are jointly and severally responsible for the taxes. These communities, or *mirs*, are pure democracies in so far as their local affairs are concerned. Cavour

[1] Simkhovitch, V., in *Political Science Quarterly*, vol. 21 (1906).

had great hopes for Russia through them. But they are powerless against the official class. In some places the peasants may not leave their villages after dark without authority from the officials.

These mirs with their communal property are a natural development among many Slavic peoples. The Russian Government favors them because they keep the peasant from owning his land outright, and thus gaining the independent ideas of the yeoman of other countries. Indeed Count Kisseloff, who directed the destinies of the peasants for years, forced this institution upon 500,000 peasants who had not known it before. In 1910, it is true, a law was passed giving peasants the right to buy their property outright, but up to the present time little has been done in this direction, partly because the peasant has almost no money, and partly because he inclines to communal ownership in most parts of the country. The class of small private landowners is very small, and many of them are no better off than the peasants.

The drink evil was encouraged when the sale of alcohol became a government monopoly, in 1897. The value of alcohol consumed doubled within five years. "Local option" in the mirs was no longer permitted. The state budget was built up on the poison given to the people. "The moral deterioration of the peasants," says Walling, "is a matter of indifference to the government, as is their intellec-

tual and physical starvation."[1] The sale of vodka was prohibited during the early months of the war. When the money of the peasant was more needed than his health the sale of alcohol was encouraged, but as soon as the government needed soldiers the health of the army became more important than the needs of the treasury.

Moreover, in spite of the semi-starvation of the peasants, it is the policy of the state to encourage the export of grain, for the maintenance of the gold standard and the payment of the interest on foreign loans. "If the agricultural exports, especially wheat, do not rise rapidly, then the whole financial policy deliberately chosen by the government has proved itself a failure."[2] Only when famines occur does the government relax its policy.

The Duma, with such uncertain powers as it has, is entirely a landlords' Duma. By a law of 1907 the electors of the working men, peasants, and the poorer classes in general were reduced to one-half their former members, while those of the landlords were increased 30 per cent. Most of the Russian provinces are in the power of the landlords, or a combination of the landlords and the richest class of the city electors, who had the right to vote apart not only from the working men but also from the majority of the middle class. The peasants had nearly one-half the representatives in the second

[1] *Russia's Message*, p. 332. [2] Walling, *idem*.

Duma; in the third they had less than one-eighth. Any two landlords had the same vote in the election of the third Duma as any one thousand peasants. As a consequence, the peasants and small landowners do not consider it worth while to vote at the elections.

France.

France is the most democratic of the great nations of Europe. In many ways France is the most democratic nation in the world. The people are open-minded, and the government reflects the interests and opinions of the common man. The ruling class is the small landowner, shopkeeper, and artisan. Politics is a topic of universal interest. Everybody talks politics, not so much from a narrow, selfish point of view as from an interest in politics as an institution. The press tends to reflect the interests of the average man. It is not owned or controlled, as in England, America, and Germany, by the counting-room or by privileged interests. It is a popular press, free and independent in its convictions. The working classes and the bourgeoisie are serious-minded, and are taken seriously by parliament.

There is relatively little conflict of special interests in parliament. Parties do not represent privilege and property. They represent more nearly the whole population. The newspapers are quick to protest against any legislation for a class or interest.

And no economic group has such influence in the political life and thought of France as is possessed by the railroad and tariff interests of America or the landowners and financial classes of England and Germany. A possible exception is the influence of the great banking and financial institutions, which will be referred to later.

The government is responsive, possibly too responsive, to public sentiment. Ministries change, but the stability of the people and the real governing agencies are not affected by the change. The constitution also reflects the democratic qualities of the nation. The constitution, says President A. L. Lowell of Harvard, "is not comprised in any one document, but in a series of distinct laws, and it contains few provisions limiting the functions of the different bodies, or prescribing fundamental rights which the state is enjoined to respect."[1]

Democratic Government.

The people have placed the life of the nation in the hands of their representatives. They trust the government which they themselves select. There are no checks and balances, no bill of rights, no appeals to the courts, no superior, age-long instrument to interpose its veto on the convictions and needs of the present. The constitution provides a machinery of government and stops at that. And the constitution can be easily amended if it does not meet the

[1] *Governments and Parliaments in Continental Europe*, vol. I, p. 8.

needs of the time. It is not an unyielding instrument like the constitutions of the United States and of Germany. All that is necessary is for both houses of the National Assembly to meet together, on their own motion or the call of the President, and enact a measure altering the constitution. That is all that is required. The amendment is not even referred back to the people. The constitution is merely a very formal law. Yet the constitution has remained almost unaltered since its adoption in 1875, only two amendments having been made in the intervening years, one in 1879 and the other in 1884.

Parliament is really omnipotent. The President has no veto, and even if parliament should pass an act in violation of the constitution it would be legally binding, for there is no authority above the National Assembly to declare its actions void. However, public opinion is an effective check to any proposed change unless it is clearly demanded by a generally recognized emergency.

The ballot, too, is democratic, far more so than in England. It is extended to all males over twenty-one years of age who are under no legal disability. There are no property qualifications and no plural voting. The ballot is secret and direct. The President is chosen by the National Assembly for a term of seven years. He has large executive powers and responsibilities, but no control directly or indirectly

over legislation or the make-up of the cabinet, which is responsible to the Assembly alone.

France has gone a long way toward the realization of the ideals of Rousseau, Voltaire, and the philosophers who preceded the Revolution. She has substantially achieved the revolutionary principle that "law is the expression of the public will. Every citizen has a right to participate personally or through his representative in its formation."

The War Lords of Europe.

These are the classes which rule Europe. These are the classes which made the European war. In none of the nations, except France, Italy, and England, are the people consulted. And in declaring war the people are not consulted at all. Nowhere, unless it be in France, is there any popular control over war and peace, over foreign policy and the making of treaties and alliances. The fate of 400,000,000 people is for the most part controlled by the aristocracy, whose members are the descendants of the eighteenth-century nobles, and who still have a contempt for democracy. They think in terms of the feudal age. Even in England this is true, as was seen by the bitter conflict of the House of Lords over the budget, over the modification of its veto on legislation, but most of all in its attitude toward Home Rule for Ireland, when the aristocratic officers of the army resigned and refused to serve, and the landowning House of

Lords openly or covertly supported civil war on the part of Ulster for the protection of its ancient privileges and property. For the Home Rule question is primarily an economic question. Shall the people of Ireland or the non-resident landlords in the House of Lords rule? This has been the crux of the Irish question from the beginnings of English dominion.

CHAPTER III

FEUDAL FOUNDATIONS

A SECOND important fact to an understanding of Europe is this: the ruling class is the owning class, much as it was in the eighteenth century. The old aristocracy continues to rule because it owns the land that gave it power from the tenth to the eighteenth century. The forms of government reflect the economic foundations on which the state is reared.

A study of the politics of Europe shows that wherever the old feudal estates remain untouched there the old oligarchy is in control. This is the condition in Russia, Austria-Hungary, Prussia, and Great Britain, in which countries the land is still largely held as it was in the seventeenth and eighteenth centuries. On the other hand, France, Italy, Switzerland, Scandinavia, Holland, Denmark, and South Germany are democratic and peaceful-minded, and these are the countries in which the land is widely distributed in the hands of a large number of peasant owners. Political power is a reflection of economic power, just as it was under the old régime. The owning class is the ruling class, and, conversely, the ruling class is the owning class.

This is why the adoption of constitutions did not materially weaken the power of the aristocracy. Its economic privileges were left undisturbed by the revolutions and political changes that swept over Europe during the nineteenth century. Moreover, in drafting the constitutions the aristocracy saw to it that its economic privileges were not disturbed, and that, while a semblance of power was given to the people, the real power remained where it was before.

Germany.

We see the economic foundations of European politics in Germany, where the class which owns rules. This is frankly inscribed in the constitution. It applies to the empire, to Prussia, and to the Prussian cities as well. The Junkers who rule Prussia, and through Prussia Germany, own a great part of the land of Prussia, much as the aristocracy owns the land of Great Britain. In the southern states of Bavaria, Baden, and Würtemberg peasant proprietorship is common, and these states in turn reflect the will and, in large measure, the point of view of the peasant owning class. Even in the Prussian cities the rule is by the propertied classes, which, under the three-class system of voting, have such a preponderating power at the polls that the Socialists and working classes have no voice in the administration. The laws of Germany, and especially of Prussia, sanction rule by an economic

class. This is the underlying motive of Prussian statecraft.

Feudal Land Tenure in Prussia.

We have seen in the previous chapter how the constitution of Germany placed the government in the hands of the Junker. And back of the Junker, and explaining his power, are the great hereditary estates of eastern Germany in East Prussia, Posen, and Pomerania, which have been in the possession of his family for centuries. It is this that makes Prussia what she is; it is this that differentiates her from the other states of the empire. For Prussia is still feudal. The other states abolished or modified the feudal system under the influences of the French Revolution, when Germany was struggling to recover from defeat at the hands of Napoleon. But Prussia, like England, escaped the French Revolution. She was too far away to be influenced by its liberalizing influences. There were no cities or centres of revolutionary thought. Later, when the reforms of Stein and Hardenburg were promulgated, which terminated many of the old feudal abuses, the barons in Prussia refused to permit the decrees to be known. They successfully checked the advance of liberalism, and from that day to this have continued the system of landownership of the sixteenth and seventeenth centuries. Were the great estates of Prussia broken up, were the aristocracy deprived of its economic power, then Prussia would reflect

the liberalizing and democratic spirit that has followed the distribution of the old estates in France, south Germany, Scandinavia, and elsewhere.

Great Britain.

England is owned by the landed aristocracy to an even greater extent than Prussia. In so far as landownership is concerned, England is only less feudal than Russia and Austria.

Great Britain, like Prussia and Russia, escaped the French Revolution. This was, possibly, the greatest misfortune that ever befell the country. There was no day of renunciation, like that of August, 1789, in France, when the privileged orders gave up their feudal rights; there was no breaking up of the great estates, no sweeping away of the old abuses. The government remained a government of landowners. The church remained an established institution supported by the people, whether they willed it or not. There was, and still is, a hereditary upper house, whose members enjoy many of the political, and most of the economic privileges of the eighteenth century. But most important of all, the old feudal system of land tenure, of great estates and a rack-rented tenantry remains unchanged, as does the caste-like organization of society erected upon it.

The privileged orders are still exempt from direct taxes on their land, as they were in France under the old régime; they still enjoy their shooting privileges;

they still control their tenants, even though the secret ballot obtains.

The eloquence of Edmund Burke, together with the ingrained distrust of France, but most of all the existence of parliamentary forms, prevented the spread of the revolutionary movement in England. The old abuses were preserved. The old privileges remained. Nor did the Revolutions of 1830 and 1848 make the same impression in England that they did in many of the other countries of Europe.

Extent of Land Monopoly.

Land monopoly is the economic foundation of Great Britain. It is the mould of her civilization. It has made the nation what it is. Political, social, and industrial conditions are the results of land monopoly, which is the most pervasive thing in the United Kingdom.

The land is still owned by a very small percentage of the people. Even the statistics of ownership, startling as they are, fail to indicate the completeness of the monopoly. According to the Domesday Book of 1873, the last authoritative census of land-ownership, the total area of the United Kingdom is 77,000,000 acres, of which 40,526,900 are held in 2,500 estates. Of the 34,500,000 acres in England and Wales 27,500,000 acres, or 80 per cent. of the whole, is owned by 38,200 persons. The members of the House of Lords own 15,000,000 acres between them. There are 12 peers who own 4,500,000 acres.

In England and Wales peers and peeresses own 6,000,000 acres; 1,288 persons own 8,500,000 acres, and 2,529 own 4,000,000 more. In Scotland the land is even more closely held. A single landlord owns more than 1,250,000 acres, while 70 persons own one-half the land, and 1,700 nine-tenths of it. In Ireland two-thirds of the land is owned by 1,700 landlords. In the whole of the United Kingdom there are 260,000 persons of the 43,000,000 who own from one acre upward, as compared with 6,000,000 peasant proprietors in France, and 720,000 in little Belgium. Practically all of the people are tenants, subject to competitive rents.

Probably in no country in Europe is land so completely monopolized. Of the 77,000,000 acres over 52,000,000 acres belong to persons whose average holdings exceed 1,000 acres.

Many of the landowners are so rich from other sources that they do not depend upon their agricultural estates for an income. They own the land under some great city which has come into existence during the nineteenth century. They own the mines from which they draw royalties. Others have married into the family of a rich merchant or banker, or found an heiress in America whose fortune is used to rehabilitate the estate. The new commercial aristocracy of traders, bankers, brewers, and stock-brokers have acquired estates as a hall-mark of standing, while great parts of England and Scot-

land are dedicated to sport, to deer and pheasant preserves, which are rented out for large sums as shooting preserves. England is the only country in the civilized world where the land is not primarily a source of agricultural wealth. Its possession is a stamp of social distinction. Under these conditions, the countryside has been denuded of people. Villages are dilapidated and in decay. The inhabitants are old men and women, ignorant and deferential from suspicion and fear. There is poverty, degradation, vice, and drink. The countryside suggests a people in despondency and despair. Land monopoly and tenancy have yielded their inevitable fruits, just as they did in ancient Rome, just as they did in Ireland in the years of the famine.

Destruction of Agriculture.

Fifty years ago there were 2,132,000 people employed on the land. To-day there are 1,500,000. This is in spite of the fact that the soil is rich, and England is the best market in the world. The market for agricultural produce is many times as good as it was before, but in a generation and a half the countryside has lost over 600,000 people. Compared with England, France has 9,000,000, Germany 10,000,000, and Austria-Hungary 14,000,000 people on the land. Measured by another standard, there are 40 persons, including farmers and laborers, on the soil in Great Britain for every 1,000 acres; while in Denmark, where the soil is not so good,

there are 70; in the Netherlands 120; and in Belgium 160 per 1,000 acres.

Land monopoly is so far the most important fact in Great Britain that all other factors are but incidental to it. It explains the political, social, and religious institutions of the people. The constitution, which has been copied all over the world, is a body of customs and legislative acts growing out of the struggles between the Kings and the great landowners. It is primarily a charter of aristocratic privileges, rather than of popular rights.

Caste.

The stratification of classes, as well as the social and political power of the ruling classes, is based on land monopoly. To it is traceable the unjust distribution of wealth, the terrible poverty of the millions, and the idle luxury of the few. Even the psychology of the people—the acceptance of class, the veneration of title, the humility of the peasant and the worker, the attitude of the voter in municipal and national elections—is a product of the relation of the people to the land. In land monopoly the life of Great Britain is mirrored. It explains the Irish question, for the House of Lords and the great estate owners in the House of Commons own the land in that unfortunate isle. It explains education, both elementary and higher, for up to very recently this was in the hands of the church, and through the church of the aristocracy.

The Church of England is based on land monopoly, for the church is a great landed proprietor, while the dignitaries and clergymen are private or political appointments. The army is officered by the aristocracy, and the resignation of a group of officers during the Irish imbroglio indicates the extent to which the aristocracy was willing to go in the support of its class interests. Even the party system is a product of the landed system. The Conservative or Unionist party is almost exclusively landed. It has never voluntarily granted any measure that in any way interfered with its privileges or that imposed any burdens on the land. So, too, is the law and the administration of justice. The great lawyers find their clients among the landed gentry. They in turn find their way to the bench, while the highest court of appeals is the House of Lords, which by reason of its environments, traditions, precedents, and membership reflects the point of view of the ruling class.

One cannot understand Great Britain without fully understanding its economic foundations. For the class which owns the land has made England what it is. It controls the government and the laws of the land. For six centuries it has stamped its will and its economic interests on the life of the nation.

Austria-Hungary.

The ruling class in Austria-Hungary is also the landowning aristocracy, descended from the feudal

classes of the eighteenth century. A large part of the country is divided into great estates. There is not a single district in Lower Austria, Bohemia, Moravia, or Silesia that is not dominated by the aristocracy. In Bohemia 776 families own 35.6 per cent. of the total area. In Hungary the same conditions prevail. Altogether the aristocracy, the church, and the towns own 40 per cent. of the land of Hungary. Several estates comprise more than 140,000 acres, while some exceed 500,000 acres. Nobles of the second rank own 14 per cent. of the land,[1] while the crown of Austria is the owner of 3,650,000 acres, and the church of 1,250,000 acres, which are leased to peasants. The latter cannot be sold or burdened with debt. Entailed estates amount to 2,850,000 acres. The independent peasant proprietor is disappearing in most parts of the country, either through continued subdivisions, which make cultivation unprofitable, or through absorption by the larger estates.

Hungary has a substantial peasant proprietor class which is well-to-do, sturdy, and independent. This class has a good standard of living, and lives in comfortable homes. It was the sturdy peasant home-owners who won the independence of Hungary from Austria. It is they who keep alive the spirit of independence of the race. But even in Hungary the great estates are increasing in size,

[1] Colquhoun, *The Whirlpool of Europe*, p. 119.

and the Magyar is being driven to America, and his place taken by Wallachs and Slovaks, races of a lower standard of living and less independence of character. For the dream of the Magyar is home-ownership. Denied that, he becomes restless and emigrates to other lands.

The Germans comprise only about one-fourth of the population, but they own most of the wealth. The confiscated estates have from time to time been bestowed upon them, while the laws discriminate in their favor. The Bohemian nobles, who are mostly of German descent, and who have been imposed as landlords upon the native Czech population whose lands have been taken from them, are among the most reactionary in Europe.

Russia.

The ruling caste in Russia is the landowning nobility, as it is in Prussia, England, and Austria-Hungary. No other class enjoys any distinction. The landed caste is relatively small. It comprises possibly 200,000 families in a population of 170,000,000. Of the great estate owners, there are 114,716 with estates ranging from 15,000 to 20,000 acres in the north of Russia, where much of the land is in forests, to estates of from 3,000 to 4,000 acres in the steppe region.[1] In western and great parts of southern Russia more than half of the land belongs to the aristocracy, and in other districts almost as

[1] Francis F. Palmer's *Russian Life in Town and Country.*

large a proportion. And this is fifty years after the abolition of serfdom and the distribution of 350,000,000 acres of land of the proprietors to the serfs and the peasant communities.

France.

It is not strange that government should be the instrument of the class which owns in the countries enumerated. It is strange, however, to find the same principle operative in democratic countries, where widely distributed landownership has brought with it political control by the people.

Here as elsewhere those who own rule, and those who rule also own. The principle is not confined to the autocratic countries; it applies to the democratic ones as well. We find democracy in Switzerland, Denmark, Holland, the Scandinavian countries, and France, in all of which countries the great estates have been broken up, and the land has been widely distributed. In these countries the French Revolution completed its work, which was the destruction not only of the political but of the economic power of the feudal barons as well. Their land was taken from them, sometimes by decrees, sometimes by purchase. But whatever the method employed, democracy has followed peasant proprietorship wherever it has been introduced. Even in South Germany, where peasant proprietorship is the rule, we find a very different political attitude from that of North Germany. There is little caste, and

the power of the old ruling class is materially weakened.

The breaking up of the great estates was the real work of the French Revolution. Prior to the Revolution there was only a small middle class in France. The nobility and the church owned the land. They had enclosed the common lands of the people, just as they had in England. The peasants paid almost all of the taxes and were oppressed at every turn. The nobles resisted all change and defeated every reform. In their blind pursuit of their own interests they were indifferent to the fate of France.

Extent of Landownership.

The Revolution put an end to the old land system. That was its great achievement. It made the peasants landowners. It expropriated the estates of the nobles and the church. Reaction followed under the Bourbons and Napoleon III, but the peasants kept their land. And they are France just as the Junkers are Germany. Peasant proprietorship is the economic foundation of politics. It explains French democracy. The peasant is tied to his land by affection and ownership. This makes for patriotism. It has been a sheet-anchor for peace. For the French peasant is antimilitarist, as is France as a nation. Small landowners are found in every part of the republic. They work hard for a living, but are thrifty, frugal, and very independent in all things. They are very different from the agricul-

tural laborers of England, or the *Bauern* of Prussia. The estates are not large. They run from 5 to 50 acres. By the middle of the last century there were 10,860,000 separate properties in France, supposed to belong to 6,000,000 proprietors. And this number has since been materially increased. Probably 25,000,000 of France's 48,000,000 people have an interest in the land.

The wealth of France has increased at a rapid rate in recent years. It is a product of peasant ownership. The peasant is an efficient farmer. He takes pride in his work. It was estimated by the United States Treasury Department, in 1906, that there was twice as much gold per capita in France as in Great Britain. It is the peasant who finances the nation. He finances the foreign investments of France as well. And he is the sheet-anchor of the nation, irrespective of parties, groups, or ministries. Not that peasant proprietorship is an ideal or the French peasant a person to be unreservedly envied. Excessive subdivision and the hunger for land have created conditions and qualities of mind which still leave much to be desired.

In France the people rule. They have little of the foreign aggressiveness of England and Germany. They embrace peace proposals, and were it not for the menace of Germany, and the memory of Alsace-Lorraine, the entire nation would welcome any movement for disarmament and

the establishment of foundations for permanent peace.

The Warring Classes Are the Owning Classes.

Here is a political fact of the first importance, a fact of which the historians and the political writers make no mention. The aristocracy rules because it owns. And it owns because it rules. It uses its political power to fasten its privileges on the people, and then uses its privileges to maintain its political power. It shifts the taxes onto the poor by indirect taxation. Everywhere it prevents the taxation of land, as it did under the *ancien régime.*

Wherever we have feudal land monopoly there we have militarism; wherever the land is widely distributed, there the desire for peace is uppermost. The peaceful countries of Europe are the democratic countries, and they in turn are democratic not because of any inherent quality in the people, but because of the fact that the people have a stake in the land. It is the feudal classes that make war; it is they who send the worker and the peasant to extend the boundaries of the state; it is they who load their government with increasing armament, to be paid for by taxes on the poor. In the feudal countries the people have little voice, and they have little voice because they have no economic place or power in the country.

Peace and war have an economic foundation. If we could end autocracy the way would be open to

permanent peace. And if we could end the feudal system, and complete the work which the French Revolution started out to accomplish, then democracy would follow, as it has in every country in Europe where the feudal system was abolished, and the land distributed among the people.

CHAPTER IV

SECRET DIPLOMACY

THE control of foreign affairs is still the privilege of the old aristocracy as it was in earlier centuries, when the ambassador was the personal envoy of the King. Foreign alliances for the most part are not determined by the likings of one people for another; they are determined by the relations of the aristocracy to one another. Foreign and diplomatic activities are based on this assumption. Nations may be plunged into war by reason of the power, ambition, temperament, the favors or slights to which some representative of the nation may be subjected.

Alliances are often accidental. They are difficult to reconcile. Democratic France is linked with despotic Russia. Up to eighteen months ago Teutonic Germany was united with Latin Italy, whose national affinities are with France. England and France are only recent friends, a friendship promoted by King Edward and Sir Edward Grey. For centuries they were enemies. Russia and Japan were engaged in a war conflict only a few years ago. To-day their diplomatic correspondence is couched in endearing terms. Russia and England had been enemies for generations, each thwarting the other in every move in the East. For years

Turkey was the ward of Great Britain. She is now under the protectorate of Germany. Lord Salisbury aimed at closer relations with Germany, and believed that the best interests of Great Britain lay in that direction; while Sir Edward Grey, the present foreign secretary, and King Edward brought about the present *entente cordiale* with France. A few years ago Bulgaria looked to Russia as her liberator, and a statue of Alexander II was erected at Sofia to symbolize the relationship. Now Bulgaria is at war with Russia. In none of these engagements were the people consulted or their likes and dislikes considered. By reason of an election, the chance selection of a foreign minister or an ambassador, by some blunder, misunderstanding, or personal pique, the friends of to-day face one another in the trenches to-morrow, while the traditional relations of a generation are brushed aside as of no more consequence than a scrap of paper.

Diplomacy a Mediæval Survival.

By tradition diplomacy is generally given over to the aristocracy. The expense involved in "representing" a country at a foreign court, in maintaining its dignity, makes it necessary to intrust the diplomatic service to the rich and aristocratic classes, who are the eyes and ears of the nation in its contact with foreign powers. The people only see what the foreign office and the diplomatic corps permit them to see.

This is part of the mediæval idea of the state. Diplomacy has always been the prerogative of the upper classes. It is jealously retained and given a sacrosanctity, a social character, that closes its doors to any other class. The secretary of foreign affairs always comes from the old nobility, and in England he is almost always a peer. The diplomatic service is only open to the well-to-do classes. Admission is by nomination, not by competition, and wealth is of course a prerequisite. Candidates for the diplomatic service in England are required to have an income of at least $2,000 a year. Young men who aspire to a diplomatic career dare not move in any but the "best" society. By training and detachment they know only the ambitions, interests, and wishes of the ruling caste. They move in a world of sports, of society, of dinners, receptions, and eighteenth-century ideas. They have no knowledge of or interest in the people as a whole. They are a caste apart. It is almost vain to hope for international peace and fraternity, says an English writer, "while the ambitions, the prejudices, and interests of their governing caste dictate their movements and govern their intercourse."[1]

America has accepted many European ideas of diplomacy. Ambassadors are almost always chosen from the rich and privileged classes. Selections are made by appointment rather than by competition.

[1] Brailsford, *The War of Steel and Gold*, p. 154.

The salaries paid are inadequate to maintain the dignity of the nation and, in consequence, diplomatic posts are frequently used as spoils to be distributed to contributors to the party campaign. Our representatives to foreign states are often scarcely less detached from the people than are the representatives of the European powers.

Even the language of diplomacy is a jargon quite likely to confuse the meaning of conversations or correspondence. It is the language of an earlier age. There is endless etiquette to be scrupulously observed. "Ridiculous as it may seem," says an English writer, "disregard of the intricacies of etiquette, the utterance of a tactless phrase, or loss of temper on the part of an individual representative may quite well produce a rupture of diplomatic relations. It is not difficult to see that in this sort of atmosphere countries become mere pawns, diplomacy becomes a highly specialized game, and, while secrecy and intrigue are prevalent, guiding principles are obscured or lost sight of."[1]

The London *Times*, representative of the most imperialistic sentiment of Great Britain, protests against the anachronism of mediæval diplomacy. It says:

"Who, then, makes war? The answer is to be found in the chancelleries of Europe among the men who have too long played with human lives

[1] *Parliament and Foreign Policy*, Arthur Ponsonby, M. P., p. 6.

as pawns in a game of chess, who have become so enmeshed in formulas and the jargon of diplomacy that they have ceased to be conscious of the poignant realities with which they trifle. And thus war will continue to be made until the great masses who are the sport of professional schemers and dreamers say the word which shall bring not eternal peace, for that is impossible, but a determination that wars shall be fought only in a just and righteous and vital cause."[1]

Secrecy in Foreign Affairs.

It is part of the game of international relations that the people should be kept in the dark; that they should know nothing of treaties, of alliances, of diplomatic intercourse, or of the contracts and obligations of one country with another. During the administration of Mr. Taft the State Department was actively engaged in promoting the trade and financial opportunities of America in South America and China. This policy looked particularly to the sale of battleships to South American republics and the participation of American financiers in the Chinese and other foreign loans. The policy adopted was familiarly known as "Dollar Diplomacy." The people had no interest in the negotiations. That these agreements might have entangled us in serious controversy with China, Japan, and the great powers bent on obtaining control of China there is no doubt. Up to the present administration

[1] The *Times*, November 23, 1912.

the relations of this country with Mexico have been motived largely by the same interests. Railroad, mining, oil, copper, and land grants were the object of American concession seekers, and on several occasions the government was urged to intervene for the protection of American interests which were of a very questionable kind.

English Foreign Affairs.

Foreign policies rarely figure in an election. They are not discussed before the voters, except by the jingo agitators. An appeal was made to the country in the midst of the Boer War, but the die had been cast and there was no retreat except by the admission of defeat. Nor is there any presentation of foreign affairs to Parliament. Even in the United States treaties are discussed in executive session by the Senate. Under the English cabinet system foreign affairs are in the hands of the foreign secretary, and if he is a dominant personality, as most of the foreign secretaries are, he probably meets with no opposition from his colleagues, who are not only immersed in the affairs of their own departments, but are compelled to rely upon the foreign secretary for information and to accept his interpretation of the information. Parliament may indeed "heckle" the foreign secretary, but he need not reply. It can refuse to grant supplies or vote a lack of confidence, but to do this would impugn the party in power and involve the honor of the country. No opposition

party is likely to do this, especially as the Tory party is essentially imperialistic in policy, while the Liberal party is largely interested in investments and trading concessions, that are at the present time one of the main causes of war. If the cabinet has decided upon war, Parliament can do little but vote the money for it, as it is probably too late to go back.

It has become the custom for all parties to agree on the government's foreign policy, in order to secure "continuity." Some Liberals objected at first to the Russian alliance, but the protests were ineffective. Moreover, Parliament usually does not sit from August to February. It is thought that the Boer War might have been averted had Parliament been in session in October, 1899.

Palmerston, who was foreign secretary for a long period in Queen Victoria's reign, was one of the most reckless of English diplomatists. It was he who conceived of the doctrine of protection to foreign investments, which has since been accepted by all of the great powers and has become the foundation of financial imperialism described in subsequent chapters.

Even under the present liberal ministry, we find foreign relations largely personal. Mr. Lloyd George's famous Mansion House speech in 1911, in which he warned Germany that England was ready to unite with France in the Morocco dispute,

was admittedly delivered without the consent of the cabinet or of Parliament. Asquith, Sir Edward Grey, and Lloyd George were the only men concerned in its preparation.

The Wars of Germany.

The recent wars of Germany have been the result of personal or national aggression. Bismarck forced war upon Denmark in 1864, and later upon Austria, in 1866. The war against France was precipitated by Bismarck by a change in the phraseology of a telegram. There had been a long-standing controversy, following the revolution of 1868, as to the nomination of a ruler over Spain. Benedetti, the French ambassador to Prussia, was instructed to go to Ems, where King William was spending the summer, and make formal demand that the Hohenzollern candidacy, which Bismarck was pushing for the throne, be withdrawn. At the time neither Napoleon III nor William I desired war. The other European powers also tried to keep the peace between France and Prussia. On July 12, 1870, the candidacy of Prince Leopold was announced to have been withdrawn by his father.

Bismarck's policy of aggression had received such a definite check that he felt himself humiliated. He considered resigning. The French ministry, supported by the war party, thought the time favorable for further concessions from Prussia. This effort gave Bismarck an opportunity, which he used ruth-

lessly and joyously to provoke the French to declare war.

A new demand was made upon the King of Prussia, that he should promise that the Hohenzollern candidacy should not be renewed. The demand was presented to the King at Ems by the French ambassador and was courteously refused. A meeting of the French ministry that evening decided that the refusal was not a cause for war.

King William sent Bismarck a telegraphic description of the events of the day, with permission to publish it at his discretion. Bismarck saw his opportunity. He so condensed the telegram and so changed its tone that the relations between Prussia and France seemed to have been abruptly terminated. In this form he gave the telegram to the press. The Prussians thought their King had been insulted, the French that their ambassador had received a rebuff. The publication of the mutilated despatch acted, as Bismarck intended that it should, "as a red flag to the Gallic bull."

Other Diplomatic Aggressions.

The Crimean War was a diplomatic war, brought on by the pique of a diplomatic official. It could probably have been avoided had the right man been sent to Turkey as England's ambassador just before the outbreak of hostilities. Instead of that, the bellicose Lord Stratford de Redclyffe was despatched to the post. His presence served to increase the ten-

sion between the Porte and the Russian representatives. Lord Stratford de Redclyffe came with a personal grievance against the Czar, who twenty years before—in 1833—had refused to receive him as England's ambassador. The nobleman openly declared to Lord Bath, before going to Constantinople in 1853, that he should now have his revenge against the Russian Emperor by fomenting war.[1] And four English noblemen in the cabinet decided for war: Lord Aberdeen, the prime minister; Lord Clarendon, the foreign secretary, and Lords Russell and Palmerston. The commoners in the cabinet had no part in the matter.

Delcassé in France concluded a secret treaty with Spain in 1904, relating to the partition of Morocco between France and Spain, which was unknown to the French people till after the crisis of 1911. It was finally revealed through the enterprise of a Parisian newspaper, in spite of the fact that the French constitution calls for the laying of treaties before the chamber as soon as the interests of the state shall allow. By the terms of the treaty Delcassé conceded to Spain a sphere of influence covering roughly about one-quarter of the Moroccan Empire, extending to within thirty miles of the capital at Fez, and embracing nearly the entire Mediterranean coast of Morocco and part of the Atlantic coast. The British Government knew of

[1] Escott, *The Story of British Diplomacy*, p. 315.

the treaty, but neither the President of the French Republic nor Delcassé's colleagues had complete knowledge of its terms. Delcassé had simply used Morocco as a means of gaining the friendship of Spain in his anti-German alliance. It was Delcassé's activities in Morocco that brought about the visit of William II to Tangier and started the whole tension over Morocco. When Spain put forward her claims during the Franco-German crisis of 1911, the French people thought that country was merely fishing in troubled waters, so little did they know of what had really taken place.

Only within recent years has there been any questioning of secret diplomacy or the power of foreign officials. It has been accepted as part of an inviolable order of things. Occasionally a protest comes from interested parties or the opposition press, but the protests have but little weight with the government or with public opinion.

Mr. W. H. Massingham wrote a few years ago:

"A Liberal government has been in office for six years. During that period the foreign secretary has not made one full, candid, and informing statement to the House of Commons as to the principles of our foreign policy, the nature of the arrangements we have made with the other great powers, or our action in specific events of the highest consequence."

The Press and Foreign Policy.

Nowhere does the press exercise such a baleful influence as in foreign affairs, and nowhere does its

ownership mould the news and make public opinion with less candor. It alone is the source of public information concerning foreign relations; here almost alone can it speak without fear of contradiction. That portions of our press were largely responsible for the hostile feeling against Spain in 1898 no one will deny. The German and English press is notoriously imperialistic and chauvinistic.

The press is related to the great financial houses and owning classes, which in turn are in close alliance with the munition makers. In some of the countries of Europe the munition makers own or control papers in the interest of increased armament, while all of the munition makers are active in their press propaganda for preparations for war.

In Berlin, Paris, and Vienna many of the important papers are owned by large financial houses, who use them to form public opinion and through it affect the money market. In England, too, there is a close alliance between finance and the press. The proprietors of the papers are powerful capitalists, and are sometimes interested in foreign investments or armament industries. The papers depend for their news of state affairs upon ministers, high officials and financiers, and organizations interested in forming public opinion. The excitement which caused the Boer War was largely caused

by the agents of the South African capitalists and their correspondents in the London papers, whose reports were duly echoed in the provincial press. If a paper opposes their policy of aggression, powerful interests withdraw their advertising and denounce the paper for lack of "patriotism." For it is easy to call a peaceful, conservative attitude unpatriotic. As for the great body of readers, they have not sufficient knowledge of such matters to care what their paper says about foreign affairs; and even if they do not agree with its attitude, they do not boycott it for that reason.

All of the machinery of organized society is really arrayed on the side of militarism. Public and private agencies, which command a hearing, are organized against any popular control of the government in the gravest affairs of the nation. Aristocracy controls the foreign office and enjoys an exclusive place in the diplomatic service. It makes treaties and alliances; its actions are not reviewed by Parliament, and are often not even a matter of cabinet decision. The press is closely allied with the ruling classes. Papers are either owned or controlled by the financiers and munition makers, or are sympathetically inclined to an aggressive foreign policy. In Germany, Russia, and Austria-Hungary the press is under the strictest surveillance and censorship, and is often used by ministers and

the ruling class for the moulding of public opinion and the maintenance of the militaristic régime.

This is the permanent war caste that keeps Europe in a war ferment and still thinks in terms of an earlier, feudal age.

CHAPTER V

SURPLUS WEALTH

THE political and social structure of the great powers of Europe, with the exception of France and Italy, is still much as it was in the eighteenth century. Despite the political and industrial revolutions of the nineteenth century the old aristocracy has retained much of the power and many of the privileges of an earlier age. It is far richer than it was a century ago. It has the same cohesion. It makes common cause against democracy and clings tenaciously to all of its powers. The land is still closely held. In most of the warring countries entail still exists. The church is part of the system as is society. Government remains a council of the old nobility modified by such concessions to the business classes and democracy as necessity has demanded. The foreign office and diplomacy are agencies of class government conducted in secret and on eighteenth-century principles while the making of war is still lodged with the feudal classes as it was in earlier centuries.

This is the background of Europe. But war is no longer the result of the ambitions or aggressions

of the feudal class as such. Personal wars, dynastic wars, even nationalistic wars ended with the wars of Bismarck against Denmark, Austria, and France. New forces have come into play that have superseded the war forces of earlier times. The nineteenth century closed an era as completely as it closed a century. It coincided with the birth and development of industry which had its beginning in the first half of the nineteenth century but which did not reach its international manifestation until the end of the century. Just as the factory system changed the face of England, so surplus wealth, increasing rents and profits, and the internationalism of credit changed the face of the world and brought about a conflict of economic interests of which the present war is the culmination.

These changes have altered the motives of nationalism, they have changed the issues of diplomacy, they have created a new ruling class.

The Birth of Imperialism.

The beginning of the new imperialism is to be found in:

1. The rapid increase in the rents and royalties of the landowning aristocracy, due to the growth of industry and urban population.

2. The development of combinations, syndicates, and monopoly in almost every line of industry. This has increased profits and freed the stockholder from the necessity of personal oversight of his business.

It has increased the surplus capital seeking investment.

3. The concentration of the investing capital of the world in London, New York, Paris, Berlin, Vienna, Amsterdam, Frankfort, and elsewhere, and the control of the same by powerful financial groups in these centres.

These changes have worked a revolution in society, a revolution comparable to that which followed the opening up of new trade routes from Constantinople to the Atlantic by way of the trading cities along the Danube and the Rhine. It is comparable to the shifting of the centre of civilization from about the shores of the Mediterranean Sea to the Atlantic Ocean following the discovery of America; it is comparable to the discovery of gold and silver in Mexico and South America and the consequent breaking up of the old relationships based upon barter and custom, and the substitution of a money economy instead. And these changes have come so suddenly that those who now control the tremendous financial powers created are scarcely aware of the revolution that has taken place, or of the terrible consequences which have been, and are being, wrought to the peace of the world as a result of the power which has been placed in their hands.

These changes have concentrated power as at no time in the history of the world. They have widened the field of conflict until it includes the most obscure

spots of the globe. In these changes and the consequences which flow from them are to be found the causes of war and preparations for war, the irritations and the jealousies, the suspicions and the controversies, even the present cataclysm which has convulsed all Europe in blood.

This change, too, has merged the old aristocracy of land with the new aristocracy of finance. It has created a new ruling class.

The Beginnings of Surplus Capital.

Surplus capital seeking investment appeared first in Great Britain for perfectly obvious reasons. Here the industrial revolution first made its appearance. It enriched the country from trade and commerce. Here banking was most highly developed. London was the financial centre of the world for years before the money markets of Paris, New York, Berlin, and Vienna were of any consequence. All these industrial changes increased the wealth and the income of the landowning classes; for they increased the value of the land upon which the increasing population had to dwell. And it was the ground-rents of the old aristocracy, which owns most of the land of Great Britain, that provided the surplus wealth that overflowed into foreign lands in search of investment at the high rates of interest which new countries offered.

Great Britain, as has been stated, is still divided into great estates, which have descended to the

present owners from very early times. Less than 2,500 families own 40,000,000 acres, or more than one-half of the land. Some of the estates exceed a million acres in extent. Outside of the landed aristocracy there is almost no freehold ownership, such as prevails in France and the United States. Practically everybody is a tenant, paying ground-rent to a ground-landlord. This is true even in the cities, for the land underlying the cities has remained part of the landed estates of the old nobility. And the great bulk of their incomes comes not from agricultural holdings but from urban land upon which four people out of five in Great Britain dwell.

England is the only country in the world where the feudal system was not abolished as to urban land. And at the present time nearly 35,000,000 people are crowded into towns, where they live under a system of ground-rents like those collected by the Astor estate in New York. Nine families and estates own a great part of the land underlying London. Individual men own the land covered by cities containing hundreds of thousands of inhabitants. And it is from city ground-rents that the colossal incomes of the aristocracy come. In recent years many of the leases made fifty and possibly a hundred years ago have fallen in, and the ground-rents have been greatly increased. This, added to the concentration of people in cities, has greatly increased the wealth of the aristocracy.

No one knows the amount of the rents of the British aristocracy except as disclosed in the income-tax returns, for the land has not been valued, even for taxation, since 1692. It is probable that from $20,000,000,000 to $30,000,000,000 of the wealth of the United Kingdom is in land values, from which colossal incomes are received, which probably amount to from $500,000,000 to $800,000,000 a year.

Other Possessions of the Aristocracy.

The landed aristocracy not only owns the land, it owns the mines, the docks, and, to an increasing extent, the houses of the people as well. For the mines and docks and houses are appurtenant to the land. They have never passed into the hands of the commercial and middle classes, as in other countries. The aristocracy is also interested in the railroads and franchise corporations of the cities. When the railroads were constructed the promoters had to go to Parliament for special permission for each separate line before the grant would be made. And the landowners in Parliament made good bargains for themselves. They charged from $20,000 to $40,000 a mile for the right of way alone. Since then investments have flowed into the railroads until they are largely owned by the landowning class.

The banking institutions are also largely owned by the aristocracy, as are the shipyards and the

munition works, from which large dividends are earned. Even the right to run a saloon or a public house is a landed privilege in England, from which the aristocracy derives large rents. The aristocracy is also interested in the distilleries and brewing establishments, which are closely tied or identified with the sites of the public houses.

Incomes of the Investing Class.

Colossal incomes are enjoyed by the landowning classes from these sources. Added to these are the incomes from shipping and commerce, from the cotton, woollen, iron, and steel industries which have made Great Britain the industrial centre of the world. Investments in the colonies contribute to the nation's income, as do the mines of South Africa, the lands, railroads, and other possessions, the grand total of which must amount to thousands of millions of dollars each year. And this income is concentrated as in no other country in the world. Investigations based upon the income-tax returns show that one-third of the total income of the nation is enjoyed by less than one-thirtieth of the entire people.

In recent years the incomes of the landed classes have increased with unprecedented rapidity. A great surplus of capital has come into existence that could only be invested at home at low rates of interest. This surplus sought other fields of investment. It overflowed into foreign lands to be in-

vested in the same kind of property that has given such permanence to the aristocracy at home. It has been invested in railways, mines, oil, and timber concessions, in land grants, in the development of new territories. It went into loans to other nations, weak peoples, to spendthrift princes, to the placing of loans on extravagant commissions in countries like Egypt, China, Mexico, Morocco, Central and South America.

In a lesser degree the same evolution has taken place in France, Germany, and the United States. And with the exception of the United States, overseas investments and financial imperialism are traceable back to the growth in the wealth and the incomes of the landowning classes. The foundations of the new imperialism are to be found in the feudal system.

The Growth of Monopoly.

The last twenty-five years have also been years of rapid monopoly expansion. The movement is not confined to the United States. It is common to Great Britain, Germany, France, and other countries as well. It has extended to nearly all of the major industries. With the suppression of competition profits have increased. These profits have not been content with the limited returns of competitive business. They also sought foreign fields where the resources of nature are still unexploited and where contracts and concessions make it pos-

sible to exploit weaker peoples more easily than at home.

Banking and Credit Operations.

During these years banking and credit transactions have developed more rapidly than in the previous ten centuries. There has been a revolution in this field as well as in industry. The savings of hundreds of millions of people have accumulated in the banking institutions, from which they have flowed into the great banking metropolises of London, New York, Paris, Vienna, and Berlin.

Finance is no longer local. It is no longer national as it was fifty years ago. It has become as international as the post and the telegraph. Branches of the great European banks are to be found all over the world. They are owned and directed from the capitals of Europe. These banks are agencies for the securing of concessions and opportunities for investments. They are centres for the strengthening of political power. The concessions are financed by the banking institutions at home. By these means the savings of hundreds of millions of depositors, which run into the thousands of millions of dollars, have been made available for the development of the most distant corners of the earth. And these banks and financial institutions are closely identified with their respective governments. They are owned by the ruling classes, and through these

means are merged with the foreign and domestic policy of the government.

The limited liability company, the corporation, the stock exchange for the quotation and the sale of securities, the telegraph, and the press have widened the boundaries of finance. The value of South African or Chinese securities is as accurately measured by the investor as was the value of domestic industry in a small town a few years ago.

The World a Market-Place.

The world has become a vast financial market-place for the flotation of securities and the promotion of investments. The colossal incomes from rents and royalties, from lands and mines, from railroads and other forms of monopoly has created a surplus of capital that has overflowed into every quarter of the globe. And as will be shown in a subsequent chapter, the capital so invested amounts to approximately $40,000,000,000. These investments are most largely owned or controlled by the landed and financial classes in England, Germany, and France. Through them there has resulted a merger of interests between the investing classes and the state which has created a new feudalism on an international scale. It has extended the economic and political interests of the ruling classes beyond the boundaries of their respective nations. Through high finance nationalism has expanded into internationalism, and the narrow, dynastic contro-

versies of earlier generations have been changed into overseas complications. Through the investor the world has been laid with mines which are a constant menace to the peace of mankind.

CHAPTER VI

FINANCIAL IMPERIALISM

This conversion of the old feudal landowner into an investor explains in part his identification with imperialism, protectorates, and colonies. His identification with the financial classes at home identifies him with their interests all over the world. And this merger marks the beginning of the new imperialism, an imperialism of finance. This is the immediate background of war and preparations of war, of preparedness, navalism, and the overseas interests of the great powers. Earlier foreign policies were bent on the maintenance of national boundaries and the preservation of the balance of power. The new imperialism is interested in loans, concessions, protectorates, spheres of influence, the closed door, and other privileges arising from the financial interests of the ruling classes, which have become world-wide in their extent.

The era of foreign investment for other purposes than colonization and the development of trade and commerce began in the last quarter of the nineteenth century. It assumed substantial proportions in the early eighties and has increased at an accelerated pace ever since. In recent years investors

in nearly all of the great powers, including the United States, have been actively engaged in the flotation of foreign loans, in the securing of concessions, in the location of mines, the building of railroads, the development of oil and timber concessions, and the acquisition of land grants in connection with home industries like sugar, tobacco, cotton, and other tropical and semi-tropical enterprises in every portion of the world. It is probable that the present total investments of all the countries engaged in overseas financing and development is not far from $40,000,000,000. Great Britain was first in the field and acquired the richest prizes. She is the greatest investing nation and has the most widely distributed empire and overseas interests.

Investments of European Countries.

Describing the vast outpourings of capital from European countries during the last few years, C. K. Hobson says:[1]

"Great Britain has for some years past never invested less than 100,000,000 pounds per annum in foreign countries, and recently the amount has been in the neighborhood of 200,000,000 pounds ($1,000,000,000). The yearly flow of French investments to other lands is now estimated by M. Neymarck at from 80,000,000 to 100,000,000 pounds sterling; German foreign investments, judging from the values of securities admitted to quotation on the German bourses, must amount to from 40,000,000

[1] *The Export of Capital*, p. 161.

to 60,000,000 pounds per annum; while Belgian and Dutch investments must also amount to a considerable sum."

Mr. Hobson gives the amount of income derived in England from foreign investments as 176,000,000 pounds in 1913, and 226,000,000 pounds as the amount of capital exported in that year. According to the *Frankfurter Zeitung*, capital issues in Germany for investment abroad amounted to 33,064,000 pounds in 1913.[1]

British Capital Invested Abroad.

Mr. Mulhall, the English statistical expert, calculated for the *Dictionary of Political Economy* that England's foreign and colonial investments grew from 1882 to 1893 at the tremendous rate of 74 per cent. per annum. According to Sir Robert Giffen, the profits from foreign and colonial investment in 1909 amounted to between 90,000,000 and 100,000,000 pounds, the total capital so invested being about 2,000,000,000 pounds.[2] Sir George Paish reported to the Royal Statistical Society that the income from these sources in the year 1909 had risen to 140,000,000 pounds. By 1914 the total amount of British capital invested abroad was about 3,500,000,000 pounds sterling.[3]

Mr. Edgar Crammond, an English writer, gives the amount of British capital invested overseas,

[1] *Idem.*, pp. 204, 246. [2] *Imperialism*, Hobson, J., p. 59.
[3] *The Export of Capital*, Hobson, C. K., p. 37.

and says that it will be of material aid to Great Britain in the present war, since it is invested for the most part in countries far from the scene of the conflict.[1] He places the aggregate value of Great Britain's overseas investments at approximately 3,900,000,000 pounds (nearly $20,000,000,000), and the income therefrom at about 200,000,000 pounds per annum. This writer says that even if the earnings of England's greatest industry—the shipping industry—are cut down during the war, the influx of wealth from capital invested abroad will not be greatly reduced.

The following tables are given by Mr. Crammond, first as to British investments in British possessions and colonies, and second in foreign lands:

BRITISH CAPITAL INVESTED IN BRITISH DOMINIONS, COLONIES, AND POSSESSIONS

	Pounds
India (including Ceylon)	447,000,000
Australia and New Zealand	408,000,000
Africa	401,000,000
Canada	423,000,000
Other British possessions	91,000,000
Total	1,770,000,000

BRITISH CAPITAL INVESTED IN FOREIGN COUNTRIES

	Pounds
United States	623,000,000
Argentina	329,000,000
Brazil	135,000,000
Mexico	81,000,000
Japan	74,000,000
Chile	57,000,000
Egypt	75,000,000

[1] *Quarterly Review*, October, 1914.

Uruguay	40,000,000
China	38,000,000
Peru	32,000,000
European countries	170,000,000
Cuba	29,000,000
Total	1,683,000,000
Grand total British possessions and foreign countries	3,453,000,000

This colossal total represents only investments in the public undertakings or companies. It does not include immense sums invested privately in foreign countries in land, buildings, etc. Nor does it include the large amounts of capital employed abroad by the great banking, mercantile, and shipping houses of London, Liverpool, Manchester, Glasgow, etc., in financing international trade. These private investments represent at least 10 per cent. of the public investments, or 350,000,000 pounds additional.

The annual revenue of British investors from India alone is 30,000,000 pounds sterling, though a large part of this is in pensions. Vast sums have recently been invested in the Persian oil works. In May, 1913, the British Government purchased 2,000,000 shares and 2,000,000 pounds debentures in the Anglo-Persian Oil Company, formed in 1909 to work a concession covering about 500,000 square miles in the southern part of Persia. New shares subscribed in limited companies in Egypt alone in the year 1905 amounted to a total of over 10,000,000 pounds.[1]

[1] Brailsford, *The War of Steel and Gold*, p. 118.

Nearly one-half of the capital invested abroad goes as loans to foreign and colonial governments, the other half is invested in railways, banks, mines, lands, etc.

German Investments.

Although of late years the German people have emigrated in comparatively small numbers, they have exported their capital to every quarter of the globe. They own the light, power, and transportation monopolies of half the capitals of the Latin-American countries. They work tea plantations in Ceylon and tobacco plantations in Cuba and Sumatra. They have made investments in North and South Africa, in China, in the Balkans, in Turkey, and in Russia. Seven large German banks devote themselves exclusively to the exploitation of foreign concessions, either owning or dominating enterprises of every conceivable character in the regions denoted by their titles, or lending financial assistance to German subjects engaged in such undertakings.

Germany's overseas investments, according to Crammond, have a capital value of about 1,000,000,000 pounds. Of this total about 170,000,000 pounds have been placed in Russia. German investments in Turkey amount to about 40,000,000 pounds; in Roumania, 50,000,000 pounds; in the United States, 150,000,000 pounds; and in South America, 120,000,000 pounds.[1]

[1] *Quarterly Review*, October, 1914.

French Investments.

France is also an investing country on a large scale, although the investments of France are largely made up of the savings of the peasants and the middle classes, who make their investments through the banks. French money has financed Russia, to which country thousands of millions of francs have gone. Immense sums are loaned in Turkey and the Balkans, as well as in Egypt, Morocco, and Tunis. French bankers co-operated with Germany in the Bagdad Railway project, in spite of the protest of the government. The total foreign investments of France in 1913 were estimated at $8,000,000,000, upon which $400,000,000 of interest was received.

It is probable that the total foreign investments of England, France, and Germany alone, and in concessions and privileges of various kinds, is not less than $35,000,000,000. It may exceed this sum.

Examples of Investors' Profits.

The profits from overseas investments and the exploitation of concessions are far in excess of profits at home. This is particularly true in the dealings with weaker countries. The Khedive of Egypt in 1873 raised a loan of 82,000,000 pounds sterling at 7 per cent. interest, and 1 per cent. for amortization. The banks that managed the loan gave the Khedive only 20,700,000 pounds of the 82,000,000 pounds, and kept the rest as security, besides making him take back 9,000,000 pounds in

his own notes on a previous debt, which the bankers obtained at 65.

The banks which financed the building of the Bagdad Railway earned 100,000,000 marks as commission, and besides "saved" 180,000,000 marks in the cost of construction, which they nevertheless charged to the Turkish Government. At least these are the English estimates of the profits of the banks in the Bagdad transaction. German estimates of profits from the "savings" are somewhat less, but the commissions are given as 138,000,000 marks. The Sultan of Morocco made a loan of $10,000,000 in 1904 on which the banks took a profit of $2,500,000, although interest was charged on the entire loan. Financial difficulties and the activities of the powers compelled further borrowings until, by the end of 1910, the total debt of the country was $32,500,000 or a net increase in seven years of $28,000,000. By the terms forced on the Sultan in the loan of 1910 the bonds were issued to the banks at 435 francs but were sold to the public the same day as their issue at 507 francs.

These are but typical of the investors' profits when dealing with weak and helpless peoples. The profits from the Bagdad Railway, the terms imposed on China in the five-power loan, the methods employed in Egypt, Morocco, Persia, and Turkey will be described in later chapters.

Investments are profitable in countries like Egypt,

because of cheap native labor. English labor legislation does not apply in the colonies. A twelve to fifteen hour day is common in the Egyptian ginning mills at a wage of 15 to 20 cents per day for an adult and 12 cents for a child.[1] In the second place countries like China and Turkey are easy to exploit, as was proved in the case of Egypt under the Khedives. The exploiters are not interested in the welfare of the natives. Only lately has there been established a system of elementary schools for the peasantry, and these are dependent upon private benevolence.

The New Motives of Imperialism.

The overseas investor has changed the face of international politics. He has widened the boundaries of nationalism by extending the jurisdiction of his state to his investments wherever they may be found. He is largely responsible for the policy of imperialism, which, in its militaristic manifestations, is the product of the past twenty years. He has changed the motive of colonial interests from those of the middle of the last century to those which prevail to-day.

The overseas investor is the explosive element in foreign affairs. He has created the new issues which are responsible for the tension, the suspicions, the imbroglios of recent years. If we could follow the consequences and know all the effects of his

[1] Brailsford, *The War of Steel and Gold*, p. 114.

activities in such international episodes as the Morocco incident, the exploitation of Turkey, the activities in the Balkans and Persia, where the seeds of the present European conflict were undoubtedly planted, we should probably be forced to the conclusion that the overseas financier is more largely responsible for the present European war than any other cause.

The investor has become merged with the government in the greater powers of Europe. This is even true in democratic France. The investing classes are the ruling classes; they include members of the government, they are influential in parliaments and assemblies, they are closely identified with the foreign office and the diplomatic service. A reading of the diplomatic history of Europe for the last twenty-five years shows how to the exclusion of almost everything else the interests of the investing class and the concession seeker have moulded the foreign policies of the countries of Europe.

By virtue of these conditions international relations have become very different from what they were a generation ago. War has ceased to be what it was in the middle of the last century. It is motived by new forces. Germany's wars with Denmark, Austria, and France; Italy's wars with Austria; England's wars with Russia; all these were wars of a restricted nationalism. The new wars of

the past twenty years are the results of external causes, of overseas interests, of a struggle for concessions, spheres of influence, of a new kind of internationalism in its various manifestations.

These are the unseen forces which lie back of the obvious causes of war. The personal ambitions of monarchs and the surgings of peoples play only a secondary rôle.

CHAPTER VII

THE FLAG FOLLOWS THE INVESTOR

THE investor ventures forth to new fields only when he has his country behind him. Left to the ordinary civil proceedings for the collection of his debts and the protection of his concessions, he would be at a sorry disadvantage with foreign states and weaker nations, especially those where changes of government are frequent and revolutions prevail. And many years ago by a quiet, unheralded diplomatic coup the doctrine was established that the flag follows the investor. The nation has become an insurance and collection agency for the investing classes. The doctrine only applies, however, where weak and defenseless nations are involved. It is not called into play against the stronger powers.

The Origin of the Doctrine.

This is the keystone of high finance. It was laid about the middle of the last century when Lord Palmerston, then British secretary for foreign affairs, issued his famous declaration about the "rights of protection" to the lives and property of British citizens in any part of the world. This doctrine was accepted dubiously at the time, but it has since become the established practice of the

stronger powers. It is the basis of the aggressive policy of the investing and exploiting classes. As it works in practice, a government is seldom called upon to protect the *lives* of its citizens in foreign countries, nor is war often the outcome of any indignity to them. And it is, of course, not invoked against a strong power. As applied by the investing powers it means diplomatic support and official protection to the investments of its capitalists in foreign countries. And behind a nation's diplomacy stand its army and its fleet. This doctrine is the mailed fist in international business.

Palmerston applied his policy for the first time in the case of a certain Portuguese Jew who had become a British subject, and who had invested money in Greece and then brought forward a claim against the Greek Government. When the claim was not satisfied he appealed to his home government, and the appeal resulted in the sending of ships to Greece, with a peremptory demand for settlement of the claim. The government, dominated by the personality of its popular but reckless foreign secretary, had embarked on a "spirited foreign policy."

This doctrine has made foreign investments secure. It has identified the foreign office with the banker and the investor and has converted the army and the navy into an agency for the enforcement of demands and the collection of debts.

Some of the Results of the Policy.

As a consequence of this doctrine the foreign office backed by the navy follows the property of the investor wherever it may be found. As exercised by the dominant powers it has become a means of oppression, of exploitation, of the destruction of the liberties of weak peoples, and the embroilment of nations in war and preparations for war. No other doctrine of such momentous consequence has ever been imposed upon peoples without discussion or the consent of ministries, parliaments, or the people themselves as the doctrine that the flag follows the investor.

No matter how corrupt the bargain may have been, no matter how ruthless the terms imposed, no matter how recklessly the loans may have been made, no matter how fictitious the claims of the government of the borrowing or concession-granting country, the letter of the bond is exacted. There is no court of equity, no conscience of the king to appeal to. The strong arm of the home government, backed by its navy and its army, by its diplomatic service, and its financial influences, is at the behest of the investing classes, who in a quarter of a century have placed almost every "uncivilized" corner of the globe under the influence, if not the actual dominion, of the great powers of Europe. In later chapters we shall see how this doctrine has been applied in the subjection of

Egypt, Tunis, Morocco, China, Persia, and elsewhere.

America and "Dollar Diplomacy."

For the present at least the United States has repudiated this policy, although the activities of the State Department under Secretary Knox brought us perilously near to its acceptance. Under the "dollar diplomacy" encouraged by the Taft administration, bankers' loans were promoted with Central American Governments whose solvency was far from secure. These loans were accompanied with treaties which assured to us the right of intervention in the borrowing countries in case of revolution. The bankers' loans and the treaties which accompanied them converted the United States into a guarantor of the interest and the principal in case of default, and the guarantee could only be made good by diplomatic pressure or armed intervention. In case of revolution or war with a neighboring country the finances might and probably would be so disturbed that the United States would be called upon to preserve order or intervene under the terms of the treaties. It would possibly have placed the Central American states under our protectorate. Fortunately none of these treaties were confirmed by the Senate. Nowhere did "dollar diplomacy" succeed.

Even greater complications were averted by President Wilson in the matter of the six-power

loan to China, described elsewhere.[1] China was compelled by internal necessities to apply for a loan to the powers of Europe. The amount of the loan finally agreed upon was $125,000,000. There was no doubt of the solvency of China, and the integrity of the people was such that the loan involved little real risk requiring the participation of the governments of the lending powers. But the European governments and the financiers were seeking other ends. They wanted concessions for railways and mines and a direct participation in the internal affairs of China. Russia and Japan, both borrowing nations on a large scale, sought to participate in the loan so as to be in a position to assert political claims in case of intervention.

President Taft and Secretary Knox urged a syndicate of New York bankers to participate with the bankers of the other great powers in the loan. It was urged that this would aid in securing the "open door" in China, that it would insure the purchase of a portion of the railroad equipment in the United States, and otherwise preserve to us a share of the trade opportunities of the country.

The contracts were not completed under the Taft administration, and President Wilson, on taking office, advised the bankers that our government would not support them in the six-power loan. The President said that such participation might

[1] See Chapter XVIII.

require us to join with other powers in enforcing our claims by force of arms. If China failed to meet her obligations, the government would be called upon to compel her to do so. The custom houses would be seized, for the terms of the loan provided that custom taxes were to be set apart for the payment of the interest on the debt. Revolution or a change of government might divert the income and require that military pressure be put upon the country. China protested against the terms. They involved her integrity and national dignity, but they were insisted upon by the European powers.

President Wilson recognized the danger involved in such a merger of finance and treaty obligations and withdrew the support of the administration to the project, and in doing so repudiated the "dollar diplomacy," on which the country was entering.

Protection to the investor is a cause of endless international complications. It involves preparedness, a strong navy, and increased military expenditure. Nations are embroiled in controversies. They are compelled to watch the advances of other nations. The doctrine of Lord Palmerston has become the keystone of imperialistic finance and overseas aggression.

CHAPTER VIII

THE MERGER OF FINANCE AND FOREIGN AFFAIRS

GROWING out of the conditions described, the European powers have become indistinguishably merged with the banks, financial institutions, and investing classes of their respective countries. They lend their influence to schemes of overseas financing, to the promotion of loans, to securing railroad, mining, and other concessions and for the protection of these concessions after they have been obtained. Private finance is the entering wedge of overseas dominion. The Bank of England, the Imperial Bank of Germany, and the Bank of France are partly owned or controlled by their respective governments. Along with these are other powerful institutions whose main business is the making of loans and seeking concessions These too have the support of the government.

In modern wars or miniature revolutions, says President David Starr Jordan, "*cherchez la femme*" might well be changed into "*cherchez le banquier.*" According to President Jordan, the late Italian War in Tripoli had its motive in part at least in the speculations of the Bank of Rome; in the Balkan

War the final victory rested with the French bankers, who were able to furnish the war funds and the armaments at a time when Germany and Austria were in financial distress. Turkey in Asia, he says, is dominated by the Deutsche Bank, "that nation within a nation, which replaces the Sultan as master of the rest of his domain." According to a Turkish writer, quoted by him, "this bank drains for itself the riches of the land, exhausting not the working class alone but a whole nation, which is dying from its operations."[1]

The powers are identified with the banks and financial institutions in a great variety of ways. The governments are heavy and constant borrowers. In time of war securities are floated on a gigantic scale. As the indebtedness increases the government becomes more and more dependent upon the financial groups, which in turn expect assistance from the state, both at home and abroad. The interlocking of interests takes many forms. Lord Beaconsfield purchased the shares of the Suez Canal through the Rothschilds. The German Government co-operated closely with the Deutsche Bank in securing concessions for the Bagdad Railway and the extension of German influences all over Turkey. The French banks were closely related to the activities of France in Morocco and Tunis, while the five-power loan in China, under the joint protec-

[1] *World's Work*, July, 1913.

tion of the countries participating in it, is a matter of recent history.

Foreign Investment—Effect on Internal Development.

And these banking institutions, in the pursuit of large profits, often shape the internal life of the country to its ultimate weakness in foreign affairs. This has been the case in France.

William Morton Fullerton says:

"In one great modern state in particular, the French Republic, eight or nine gigantic establishments of credit have formed a veritable trust, which has tended to kill the minor banks, and, by whetting the French middle-class distrust of modern democratic social legislation, has cultivated the prejudice that French securities are unsafe, and thereby so monopolized the employment of the public wealth that France may be said without exaggeration to be virtually a financial monarchy. The apathy of the French parliament as regards the construction of great public works, such as modern ports and canals, is often cited as one of the main causes of the relative industrial backwardness of France, and of the increasing invasion of French territory by enterprising German, Belgian, or Swiss capitalists. A more potent cause assuredly is the fact that a large proportion of French savings are systematically exported abroad, on the pretext of assisting needy foreign states, while affording safe investments to the French 'rentier,' but, in reality, with the object of securing monstrous profits which benefit only the banks in question, a few intermediaries, and a certain section of the press, and with the result of developing the wealth and the

defensive force of rival peoples, favoring the depopulation of France, and preparing the gravest complications for that country in case of a European war."[1]

As a consequence, the bulk of the French investments are now in jeopardy in Russia, Turkey, and the Balkan states, where thousands of millions of dollars have been placed by the bankers attracted by the underwriting profits and concessions which have enriched the banking syndicate, but not the small investor.

The same unfortunate policy has been pursued by Great Britain, in which country internal development has been neglected to the great disadvantage of the nation. The railroads have been left in private hands. The canals and waterways have not been extended. Not until recently have the harbors been developed or the docks constructed on an adequate scale. Business has suffered in consequence of exorbitant freight charges and the foreign trade and commerce of the country has been at a disadvantage in competition with Germany. The banks in Great Britain have been permitted to draw the surplus capital of the country away from domestic uses. They have placed it in foreign lands to the sacrifice of the internal needs of the country. Great Britain, as well as France, has been weakened by reason of the liberty allowed the financial houses

[1] Fullerton, *Problems of Power*, pp. 2–3.

which have invested the surplus wealth of the country in other countries, some of which are now at war with Great Britain.

Germany, on the other hand, kept her surplus capital at home. It has been used first for the acquisition and extension of the railroad systems which have been strategically organized for military as well as industrial purposes. The waterways and canals have been extended until they ramify into every part of the empire. Docks and harbors have been built by the states and the cities, such inland cities as Mannheim, Frankfort, Cologne, and Düsseldorf, as well as the seaport cities of Hamburg and Bremen, being now possessed of the most splendidly equipped harbors in the world. Except where needed for political or industrial purposes German capital has been largely kept at home. It has been used for the development of the empire rather than in the exploitation of other countries. Large sums have been invested in South America, in Morocco, in Turkey, in China, but much of this has been placed in mining concessions, in railroads, and in places where it would be of industrial and political service to the nation in case of need. Just as France has loaned immense sums to Russia, so Germany has placed her overseas loans in those countries where they would be of greatest service to the empire. For the most part, however, her capital has been kept at home. It has been invested in the

great works of internal development as well as in the extension of industrial and manufacturing plants, in the building of a merchant marine, in the big programme of imperial expansion on which the best minds of the empire have been engaged for the past quarter of a century.

Interlocking Interests of the Banks.

The favored banking institutions are also interlocked with a great variety of promotion enterprises, for the building of railroads, the development of mines, and the exploitation of oil-fields and other concessions all over the world. Certain banks are devoted almost exclusively to the promotion of overseas enterprises. President Jordan says that in 1904 the Deutsche Bank of Berlin was represented by interlocking directorates in 240 different industrial, transportation, and exploiting companies. The Dresdener Bank was represented in 191; the Schaffhäusenscher Bank in 211, the Darmstädter Bank in 161, and the Disconto Gesellschaft in 110. These figures, he thought, might have doubled by 1913. And each of the banks has branches in distant lands over which it has entire control. These banks, again, are intimately related with the great armament syndicates like Krupps, Schneiders, Armstrong, Vickers-Maxim, in Germany, France, and England. Continuing, President Jordan says:[1]

[1] David Starr Jordan, *World's Work*, July, 1913.

"In Germany we may fairly regard the Emperor as the centre of a gigantic mutual investment organization, with its three branches of aristocracy, militarism, and finance; all the powers of the state, military as well as diplomatic, being placed at the service of the combined interests. In so far as other nations are powers, the fact is due to the influence of similar interlocking combinations. This is certainly true in England, France, and Russia, and the dollar diplomacy of the United States, now happily past, was based on the same fundamental principle.

"By such means the foreign policy of each of these great powers is directed to safeguard the ventures of those great banks which make a specialty of foreign risks. In Europe the governments everywhere frankly make open cause with the interests. The foreign offices are, therefore, for the most part, little more than the firm names under which these interlocking syndicates transact their foreign business.

"Whatever the virtues or the evils of the system of interlocking directorates, the evils at least are greatly accentuated when the government becomes a part of the system, extending its operations in foreign lands by means of secret treaties, by official guarantees, by threats, and by force of arms. A large percentage of the international troubles of the world arise from this one source, the use of governmental authority to promote private schemes of spoliation."

Behind the banks and the promoters are other financiers and investors who handle securities and speculate in stocks. The investors are the most influential persons in the country. They are the

great landowners, the railroad operators, and those who stand high in official position. They influence and control foreign policy; they are represented in Parliament.

The simple organization of the eighteenth century has become very complex. In place of a single landed aristocracy, ruling the state, we now have a merger, which includes the new aristocracy of banking, finance, and industry.

Professor John Hobson, the English economist, says: "Adventure, lust for gold, etc., are the fires in the engine of war, but the great financial interests direct the engine." [1]

[1] Hobson, J., *Imperialism*, p. 65.

CHAPTER IX

CONCESSIONS AND MONOPOLIES

Overseas financing is a merger of four activities, all dangerous to the peace of the world. These activities are:

1. The making of loans to foreign nations like Russia, Persia, Turkey, and the Balkans, as well as to weaker countries like Mexico, China, Central and South America. In these loans the governments themselves sometimes participate directly, as in Persia, Egypt, Turkey, and elsewhere. France finances Russia; England her colonies and dependencies; Germany finances Turkey (with the co-operation of other powers); England and Russia finance Persia. All of the powers are united in China. Sometimes two or more countries co-operate; occasionally the door is open to all comers. But, generally speaking, the financial privileges of overseas investments are exclusive.

2. The securing of concessions for railroads, mines, franchise corporations, oil-wells, forests, lands, docks, and other resources and opportunities to be developed under contracts with the granting government and under the implied or expressed

protection of the government of the investing country. Concessions are usually parcelled out to the same countries that control the foreign loans.

3. The financing and promotion of the sale of munitions of war to weaker peoples frequently as a condition to the making of a loan, the banking institutions being closely related to the makers of war munitions.

4. A close working arrangement and understanding with the government, and especially with the foreign office, as to the terms of the concessions and spheres of influence which are recognized as the entering wedge for ultimate political control or "protection."

The motive in all these transactions is to secure a complete and exclusive monopoly in the concessions or territory from which all other financiers and countries can be excluded.

Concessions and Spheres of Influence.

The development of foreign concessions and the making of foreign loans with the commissions and other profits on the side are the most profitable of all banking opportunities, if we may judge by the colossal profits made in Egypt, Turkey, China, and Morocco. In weak countries like China, Egypt, Central America, South Africa, and Mexico, these concessions are granted to individuals or promoting companies, and are financed by the banking institutions at home. They are secured by contracts

which once made have the backing of the home government under the doctrine of Lord Palmerston, referred to in an earlier chapter. China, Turkey, South and Central America, and Africa have been favored hunting-grounds of the concession seekers.

As a means of strengthening financial control and political power, spheres of influence are marked out in the granting country. This is the next step in overseas imperialism. It is often followed by a protectorate or direct colonial administration. This usually follows if the interest is not promptly met, or if the country shows any signs of restlessness under the demands of the financiers or concession workers. The sphere of influence insures a monopoly of the territory; it makes possible the closed door, by which the investing country excludes other countries and financial groups from trading in the territory. It also forms the basis for political dominion or colonial expansion in case of disintegration or revolution. The Monroe Doctrine has prevented Mexico and South America from falling under the control of foreign countries, but in the case of Egypt, Morocco, Tunis, Persia, South Africa, and to some extent China, these countries have either lost their sovereignty, or have been parcelled out among financial groups or foregin powers. The process of exploitation of these individual countries will be described in later chapters.

Political Intervention.

The financiers expect their governments to see that the weaker countries pay their interest punctually, and to intervene for them with arms if necessary. If the exploited nation cannot or will not meet its obligations and threatens bankruptcy, the investors raise complaints about the "swindling barbarians," who must be subdued.

Sometimes the coveted spot of earth is so wild and uncivilized that the investing classes find it necessary to induce their government to conquer it before they can safely allow their money to go there. They invest money in harbor and railroad building, etc., and it is dangerous to do this unless there is some security in the territory. In this way German colonies were established. This is the process, with variations, that is going on all over the world.

In many instances the first loans to weak countries are used by them for guns, cannon, fortresses, and railroads all of which mean profits for the mining and manufacturing, and particularly the munition interests at home. The fleet must be kept in readiness to safeguard the foreign investments, and this means profits for the war traders. Both the home government and the weak foreign government pay monopoly prices for guns and armorplate. The arms and the iron industry, which are closely related to the financial interests, are therefore often the first and the chief beneficiaries of the

government's alliance with the investor. The millions invested in the arms industry, and the fact that it is a close monopoly, make it the great power that it is in England and Germany. Capitalists readily lend the sums needed in this industry; while the big banks are interested in seeing that it is well supplied with capital. The financiers are interested in imperialism because it means a still greater borrowing on the part of the home government. They are also brokers for the export of capital into foreign lands. Thus financial imperialism feeds on swollen profits from abroad and burdensome taxes at home.

The Struggle for Spheres of Influence.

All of the wealthy nations are engaged in the scramble for spheres of influence and concessions. This no longer means the conquest of new peoples and the taking of their lands, as was the practice in earlier days. Russia is the only nation whose expansion still resembles that of previous centuries. Russia actually colonizes new territory, as in northern Persia, inasmuch as her primitive methods of agriculture necessitate the cultivating of new land. In general, however, the new imperialism seeks "spheres of influence" in semi-civilized countries, or countries with an old civilization but lacking in modern industrial development. And the wealth sought is not conquered land, but opportunity to work mines, build railroads, and get commissions

for the placing of large sums of money. For this purpose conquest is sometimes necessary, but usually diplomacy—with as strong an army and navy as possible behind it—is sufficiently powerful.

Force is used or intrigue and bribery are resorted to when the concession seekers do not fear exposure. Border fights among less civilized natives serve as a means of depriving them of their lands. A riot in Bechuanaland in Africa, in 1897, was called a rebellion and used as a pretext for driving 8,000 natives from their lands. Native labor is pressed into service on the land and in mines by more or less dubious means. Perhaps the most philanthropic method was that employed by the British in Rhodesia, where in order to secure cheap native labor the chieftains were bribed to use their influence with the members of the tribes.[1] The Belgian rubber industry on the Congo, in which King Leopold and a group of financiers were interested, was an extreme example of the abuse of the natives. England did not hesitate to hand over a great part of Persia to Russian control when that nation was struggling to maintain its integrity and independence.

Minor Profits from Imperialism.

The military classes look with favor upon imperialism. It offers a wider field and greater chances of advancement for them. The nobility see in

[1] Hobson, J., *Imperialism*, p. 275.

imperialism opportunity for their sons. The posts in the civil and military service in India are so numerous that they not only supply the upper class with careers for younger sons, but many are left for the sons of the upper middle class also. James Mill called this "a system of outdoor relief for the upper classes." All the responsible posts in the service go to Englishmen, and in the Indian army the natives cannot reach a rank higher than that of subaltern. The same is true in Egypt. Young Egyptians are trained in the few higher schools in Egypt for the civil service, but the positions ultimately secured are mere clerkships; and, indeed, the training fits them for nothing more. Meanwhile young men in England are being trained at the universities for the higher posts in that country.

Grave International Questions.

Grave international questions are constantly arising from the conflicts of investors, while the sovereignty of weaker states is in constant peril. Egypt, Persia, Morocco, and Tunis are cases in point.

English diplomats in China, for instance, not only aid their countrymen in dealing with the Chinese Government, they support their claims against intruders from other European countries. Thus the home government becomes interested in the domestic affairs of the exploited country. It favors those officials who are complacent, who readily grant concessions to its investors, and seeks to discredit those

who do not. Thus the British press, inspired by the financial interests of the city, became the partisans of Yuan Shih-kai, who became an adviser of the Emperor of China in 1907, and who was notoriously pro-British in the concessions favored. When Yuan Shih-kai fell from power, and a certain railway concession worth 3,000,000 pounds went to a German instead of to an Anglo-French syndicate, China's future was de,paired of. After 1909 British diplomacy worked in concert with other European powers through a close monopoly in China, and forbade the country to borrow anywhere except from what was known as the five-power group of banks. This became the official channel of financial supply for China. No British capital could be invested in China save through this source. The system finally broke down because of Chinese opposition, and other banks outside of the favored group were permitted to seek concessions.

Rival embassies in Turkey were continually bargaining for concessions for their respective banking syndicates. The French embassy tried to persuade Turkey to buy her arms from Creusot. The German embassy pointed out the ease with which she could secure a loan from Germany if she would spend some of it on cannon from Krupps'.

The Closed Door and Financiers' Wars.

What is most desired is recognized "spheres of influence," from which other countries can be ex-

cluded and in which the trade can be controlled by the home government through protective tariffs. At the time of the Morocco dispute with Germany, France and England claimed the right to decide that country's destinies, because they chiefly were interested in the trade of the country. But the trade of Morocco is insignificant. So is that of Tunis, whose natives care very little for the ingenious articles manufactured in France. But once a nation has established a "sphere of influence," she can exclude the subjects of other nations from the mines and oil-wells in her territory. Asiatic Turkey was marked out fairly definitely into such spheres. Syria was French, Anatolia German, and Armenia Russian. But the boundaries overlapped, and formed a fertile cause of trouble.

In Persia, as a result of the Convention of 1907, the spheres of Russian and English influence were more clearly mapped out. England's sphere is all the territory to the south of a certain line, Russia's all that to the north of a certain line. Between the two lines is a neutral zone, which is open to the exploitation of either country. These "spheres" are humiliating to the exploited government, whose policies and politics are also "controlled." The exploitation of Persia is described in another chapter.

Many times within the past generation the greater nations have been near war or have actually resorted to arms in their efforts to secure foreign in-

vestments or obtain new fields of exploitation. England and Germany sent a naval expedition to Venezuela because certain of their favored financiers had grievances against Castro's government, even though the step caused friction with the United States.

France's intervention in Mexico during the reign of Napoleon III was to make secure the money invested by French citizens in that country.

The Boer War was caused by the fact that English capitalists found it impossible to secure without conquest the control so necessary to exploiters. The quarrel with the Boer Republic was based on two points: (1) English interests objected to the dynamite monopoly; and (2) the Uitlander (*i. e.*, foreign) community of mine-owners and their employees were not allowed the rights of citizenship and representation in the republic on as easy terms as they wished. What the mine-owners really desired was political power, that they might control the wages, conditions of labor, etc.

One of the main causes of the Russo-Japanese War was Russia's refusal to keep her pledge to evacuate southern Manchuria. Instead she continually advanced her interests in northern Korea, which the Japanese claimed as their own sphere of influence. All the Czar's ministers, including Count Witte and General Kuropatkin, minister of war, advised that the pledge be kept. But a small

group of the court party were interested in the great timber-lands on the Yalu River. The Czar, it has been asserted, was interested to the extent of $1,000,000 in the enterprise, which his viceroy indeed conducted as an imperial undertaking, in spite of the better judgment of the ministers.[1]

The occupation of Morocco by France was at the instance of the French bankers who had loaned money to the Sultan; the Italian War with Tripoli was inspired by similar forces, as were the aggressions of all the powers against China.

"The old imperialism," says Brailsford, "levied tribute; the new imperialism lends money at interest."

Here are the elements of the new imperialism; a ruling class at home which is also the owning and investing class; great financial houses closely related to the government, and owned and controlled by the class which rules; surplus capital and a falling domestic interest rate, facing backward civilizations ready to be exploited by the more highly organized nations. Added to these is the diplomatic policy of protection to foreign investments, the doctrine that the flag follows the investor and backs up his private contracts. The land, mining, railroad, and oil grants secured by German, English, and American investors in Mexico; the mine conces-

[1] Brailsford, *The War of Steel and Gold*, p. 53.

sions in South Africa; the loans made to the Khedive of Egypt and the Sultan of Morocco; the Chinese five-power loan are all indicative of the methods employed to secure concessions and make investments which the governments of the investing countries have not hesitated to enforce by a show of strength. The rule of "caveat emptor" does not apply in international dealings when the "developed" nation is too weak to resist.

One of the results of imperialism is the loss of liberty by almost all of the non-European peoples, with the exception of those of South America, Central America, and Asia. They have become mere hunting-grounds for European capitalists.

CHAPTER X

THE "WAR TRADERS" AND MUNITION MAKERS

If we give any thought to the subject we probably think of the makers of war munitions as rather unimportant concerns that sell to their respective governments along with other private customers. As a matter of fact, the munition makers form one of the most powerful industrial combinations in the civilized world. The capitalization runs into the thousands of millions. The companies include among their stockholders and directors the most powerful individuals in their respective countries. They are related to the great banking houses and have a close and intimate connection with the ruling classes of every country in Europe. Their annual contracts, even in peace times, approximate a thousand million dollars. The profits are colossal, and the munition makers, with their international understandings (in peace times), approach very closely to a world monopoly.

Prior to the war the munition interests in the United States included the Carnegie Steel Company (a part of the United States Steel Corporation), the Bethlehem Steel Company, the Midvale Steel Com-

pany, and the du Pont Powder Trust, with a combined capitalization, including the Steel Trust, of nearly $2,000,000,000. And this does not include the ship-building plants, the minor munition and small-arms factories, and the multitude of plants that have been converted into munition works during the present war. In Germany the combination includes the Krupp Works and the German Arms and Munitions Factories, with a capitalization of over a hundred millions more. There are four leading firms in Great Britain with a capitalization of $250,000,000, and with branches (note the internationalization of the munition makers) in five or six other countries. There are great munition plants in France—the Schneiders at Creusot—in Austria-Hungary, in Russia, in Italy, and Japan, not to speak of half a dozen other smaller states.

These great firms (in peace times) work in harmony through trade agreements, by a division of selling territory, by price agreements, by the ownership of patented processes, and a unity of interests in the promotion of armaments and the creation of unpreparedness scares to induce countries to increase their armament. No other influence, with the exception of the great financiers, is so largely responsible for the agitation for armament and "preparedness" and for the increase in war expenditures which has taken place during the past twenty years as the makers of war munitions.

Our Ignorance of Armament Makers.

That we know so little about the munition makers is due to the fact that they trade in the dark. Their dealings are, for the most part, secret. The war office is privileged. In most European countries a strict censorship is enforced over all matters relating to war contracts and material. Only on rare occasions is the veil of secrecy lifted. The investigations of the armament interests at Washington are almost the only instances of anything approaching a real public inquiry.

During the years immediately preceding the present European war, much information came to light in Germany, England, and the United States. There were disclosures by the press and radical members of the government, and from these and other sources certain facts have been established, among which are the following:

First. The firms making munitions of war are colossal corporations earning tremendous dividends for their stockholders. They are intimately related to the great financial institutions which are close to the government. In actual practice there is a substantial merger of the munition makers, the financiers, and the government.

Second. The "war traders" are woven into the governments of almost all the European countries through the ownership of stock by reigning houses, members of parliament, public officials, journalists,

members of the diplomatic corps, and the ruling classes.

Third. The munition makers promote foreign connections and loans as an aid to sales, and are a constant menace to official integrity, not only at home but among the nations with which they deal.

Fourth. The war traders are largely responsible for the increase of armaments, for the colossal growth in expenditure for war. They are influential with the press. They promote war scares. In addition, they are directly responsible for imbroglios with weaker states, and are a constant menace to the peace of their own country.

Fifth. The war traders create public opinion to induce governments to scrap existing equipment and provide new guns, munitions, and supplies which, when secured by one country, are made a reason for a similar scrapping process in a neighboring nation.

Sixth. There is no patriotism among the war traders. They sell to any nation, even those hostile to their own. That they maintain active and powerful lobbies at home and abroad; that they subsidize and even own newspapers; that they are so closely related to the ruling and financial classes as to be almost indistinguishable from them, are all well-established facts.

The activities of the munition makers, like the activities of the financial interests, are impersonal. They cannot be laid at the door of any individual.

The responsibility is lost. They became part of a struggle of capitalistic groups for business, for profits, for a share of the war budgets of the world. It is because of its impersonality and the impossibility of holding any one responsible that the arms industry is unsafe in private hands. It, like any other menace to the very life of society, should be under public control; and this is only possible through public ownership.

The Capitalization and Profits in Munitions.

The munition companies with the shipyards and their allied interests comprise what is probably the most powerful industrial combination in Great Britain. The same is true in other countries. In America the combination includes the Steel Corporation (which owns the Carnegie Steel Company) and is identified with the most powerful financial group in Wall Street. In Great Britain Vickers Sons & Maxim is the largest single firm, with a total capital of $40,000,000; while Armstrong, Whitworth & Company has a capitalization of $33,500,000. If we add to these the other munition plants and those for the building of battleships, arms of all kinds, etc., we have a total capital which is estimated at $750,000,000. And, as we shall later see, these companies have domestic and international agreements which make them in substance a monopoly.

The making of munitions even in peace times is

a most profitable business. The firm of Krupp in Germany has grown, in a little over a generation, from a small forge to the world-enveloping consolidation that it is. Its capitalization is 250,000,000 marks. The operating profits of the company during the first year of the war were $28,300,000. In normal times the dividend rate is 12 per cent. on the capital. The German Arms and Munitions Factories, second only to the Krupps, has grown with only less rapidity. The French firm of Schneider Brothers (Creusot) pays a dividend of 20 per cent., and the average for the four leading firms in England, with a capital investment of $250,000,000, runs from 7½ to 15 per cent. According to the London *Times*, "for the years of the present century the dividend (of Armstrong, Whitworth & Company) has never fallen below 10 per cent., and on five or six occasions it has been as high as 15 per cent." In 1913 the shareholders had an "agreeable surprise," says the *Times*, in the shape of a 12½-per-cent. dividend on the ordinary, with a bonus of one share on every four shares previously held, or 25 per cent. additional. In the same year Vickers Limited paid 10-per-cent. dividend and increased its assets by $5,840,000. The profits of these two concerns alone for the six years, 1908 to 1913, peace years just preceding the present war, aggregated $39,043,000. Cammell-Laird distributed an average of 12 per cent. a year for nine years,

while the average dividend of the Harvey United Steel Company was 15 per cent. The pyrotechnic advance in the value of the shares of the Bethlehem Steel Company in the early months of 1915 as a result of its European war orders, as well as the colossal stock dividend of the du Pont Powder Company are among the spectacular episodes of the New York Stock Exchange.

Speaking in general of the munition makers and their relations to the British Government, Mr. George Herbert Perris, an English writer, says:[1]

"The great bulk of the so-called defense expenditure of the British Empire goes into the hands of private profit makers. It is an immensely large and lucrative trade. It consists of companies and combines, the strongest of which are closely allied, and compete less and less. It is essentially, and is becoming more and more, a cosmopolitan trade; its owners' nationalist pretensions are, therefore, rank humbug. It employs the usual touting arts of commerce; but it also manufactures two special kinds of opportunity: (1) The flotation of new types of arms, which result in enormous 'scrapping' of existing material; and (2) the international scare, of which the Mulliner 'crisis' of 1909 is a type.

"Such is the modern trade in arms; and I will only add one word about it: If British democracy does not soon find a way of destroying this hydra, it will destroy British democracy."

[1] *The War Traders*, p. 32.

European War Orders.

Enormous fortunes have been made from war orders placed by the European governments in the United States. Before the war shares of the Bethlehem Steel Company fluctuated around $40. July 25, 1914, the stock sold for $39, and three days later for $36 a share. Even after war was declared the stock did not rise rapidly for several months. On December 29, 1914, it was still quoted at $45, and in February, 1915, at $54. From this time on its rise was rapid, until at the end of October, 1915, shares in the company sold as high as $500. During the same month Colts Arms sold for $840 a share, du Pont Powder at $390, and Midvale Steel at $500 a share. Winchester Repeating Arms, under the stimulus of war orders, rose to $2,400 a share. In July, 1915, it had fluctuated around $1,700 a share.

The increase in the value of the securities, during the past year, of corporations filling war orders from the United States is over $850,000,000.

A Dangerous Merger of Profit and Patriotism.

It is a dangerous thing for personal interests to be confused with public trust, as we have learned in recent years from the disclosures of the close connections of the railroads, tariff interests, banking and land-grabbing corporations with Congress, as well as the similar connections of the public-service corporations in our cities. Similar questionable

connections are not uncommon in Great Britain and Germany, and it seems safe to assume that the same is true of other countries. The impersonality of the corporation protects the stockholder, as does the distinguished class to which he belongs and the apparently patriotic trade in which he is interested.

Many of the large stockholders of the munition companies in England are members of Parliament, while substantially all of the stock is owned by the most influential classes in the kingdom. Other stockholders are close to the ministry, they are in intimate contact with the foreign office and the diplomatic service. Whichever party is in power, the munition makers and their affiliated interests are in intimate touch with foreign affairs. An examination of the list of stockholders of the Vickers Company alone, made by the *Investors' Review* in 1909, showed that 123 of the most important stockholders were members of Parliament, or were closely related to the government. Of these, 2 were dukes, 2 were marquises, 50 were earls, barons and their wives, sons, and daughters, 15 were baronets, 20 were knights, and 8 were members of Parliament. Twenty were military and naval officers. In addition there were 3 great financiers and 8 newspaper owners and journalists.

And this is but one of the six larger companies, not to speak of a score of ship-building plants in which the list of stockholders is probably equally

distinguished. Many members of the boards of directors are in Parliament, while officials of the army and navy pass back and forth without protest from official places to employment with these private companies at high salaries.

Speaking of the alliance between public office and private profit, as well as the passage of prominent officials from the government service to the employment of the armament companies, Mr. Perris says:[1]

"What do these facts imply? Firstly, that these immensely wealthy and powerful companies and combines are intrenched firmly, perhaps irremovably, in the governing class of Great Britain and its dependencies. Their forty or fifty or sixty millions of capital largely belong to this class, many members of which would be gravely injured by any arrest of the competition in armaments; and millions of yearly dividends, besides salaries, directors' fees, and trustees' honoraria are distributed largely within this class, creating, consciously or unconsciously, in it the permanent temper of militarism in which our 'service' estimates are conceived and carried.

"Secondly, that they command the kind of skill and special knowledge which is popularly supposed, and surely ought, to be the exclusive property of the government. Upon that kind of skill and special knowledge the safety of the kingdom and the empire is supposed to depend; yet we see it being offered like any common commodity to, and bought by, companies increasingly cosmopolitan in character, companies constantly building for foreign purchasers, building in foreign yards, partners with

[1] *The War Traders*, p. 24.

German, French, Italian, and other manufacturers. Much of this special knowledge was once secret information, obtained in the very highest and most strictly guarded recesses of the government service. All the members of Parliament at Westminster cannot persuade Sir Edward Grey to subject his department to the gaze of a responsible foreign affairs committee; but secretaries of the treasury, colonial governors, dockyard superintendents, directors of naval and military intelligence, high army and navy officers, and even secretaries of that sanctum sanctorum, the imperial defense committee, are perfectly free to carry the experience they have thus confidentially gained at the cost of the state into the service of an abominable private trade."

Patriotism, the fear of political scandals, the fact that the arms traders are impartial in their party affiliations shield their officers and stockholders from the imputation that immediately attaches to any other public official who is personally interested in any contract with the government of which he is a part.

The same close alliance between the armament makers and the ruling class is to be found in other countries. The house of Krupp is identified with the empire by personal relations with the Kaiser and by the closest kind of connection with the centres of finance.

The close interlocking of company stockholders and directors with the governing classes in matters affecting peace and war is dangerous to disinter-

ested judgment; but, by reason of the high position of those involved and the impossibility of tracing any real or casual relation between public acts and private interest, direct charges of improper activity cannot be made. The least that can be said is that such a relationship is so inconsistent with standards of private trust that no honorable man would permit himself to profit by his public acts.

War Traders as War Scare Makers.

The immense wealth, the powerful political connections, the close relations with the great financial houses, as well as their immunity from attack, make the war traders dangerous to the peace of any country. The vast sums of money lent to weak governments, says Karl Radek, are used by them mainly for guns, cannon, fortresses, munitions, and railroads; all of which means profits to the manufacturing and mining interests at home. Otherwise the loans would not be made.[1]

The firm of Krupp has representatives in every capital of the world, from Tokio to Constantinople, and from Petrograd to Buenos Aires. The same is true of the great munition firms of England and France. M. Clemenceau, in a series of articles on the South American republics written some years ago, said that German guns had beaten French guns in that quarter of the globe by virtue of the more liberal use of money by the Germans in their

[1] *Der deutsche Imperialismus und die Arbeiterklasse*, 1912.

negotiations with the officials of Latin American countries.

Directors and stockholders of the munition companies are closely related to the owners of the press in their respective countries, which are active in the promotion of preparedness and the stirring up of war scares. The Berlin *Post*, of strong jingo tendencies, is either owned or largely controlled by stockholders in the German munition firms. The list of stockholders in the munition plants of Great Britain includes journalists and owners of influential English papers. The munition makers, like the investors, are closely interwoven with all of the agencies of public opinion in the country.

Firms of different nationalities co-operate in raising war scares across each other's frontiers, and transmute national jealousies into gold for themselves. The German Arms and Munitions Factories, which is not a single firm, but a group of firms forming an organization second only to Krupp, and having the Mauser and Dollingen Works among its members, wrote to its agent in Paris a year or two ago: "Get an article into one of the most widely read French newspapers—the *Figaro* if possible—to the following effect: 'The French Ministry of War, has decided to accelerate considerably the provision of new pattern machine guns, and to order double the quantity at first intended.'" The news was intended for German consumption. Confronted with such

a news item, the combine reasoned, the Reichstag would readily agree to the purchase of new machine guns for Germany.

The great German arms industry also employed special agents to corrupt military and naval officers, and government documents of the most confidential nature came into the hands of Van Dewitz, one of the managers of the Krupp Works. This and similar scandals were exposed by Doctor Liebknecht in the Reichstag, and published in the Socialist *Vorwaerts*.

The Mulliner Scare in England.

It is to the interest of these war firms to create war scares. The naval scare of 1909, when England was led to believe that Germany was secretly building a great number of battleships, was traced to the influence of the managing director of the Coventry Ordnance Company (owned by Cammell-Laird and John Brown), a Mr. Mulliner, who had the confidence of the cabinet. His underground campaign for a war scare began in May, 1906, when the British admiralty received its first "information" about a great new navy being built by Germany.

By 1909 Mr. Mulliner had so impressed the government that he was called to give evidence before the cabinet. The "evidence" spread quickly through the land and resulted in a great naval scare. "We want eight, we won't wait," was the slogan—"eight" meaning battleships. As a result of Mulliner's "tip" the British Government

announced that Germany would have 17 new battleships by March, 1912. Mr. Balfour, even more gullible than the rest, counted upon 25, or at least 21. Germany had, in fact, according to the *British Naval Annual*, only 9 dreadnaught battleships and cruisers by March, 1912, and only 14 in March, 1913. Von Tirpitz had even made an announcement to this effect several years before. But the "scare" had the desired effect in England. It resulted in a big increase in the navy estimate of $6,500,000.

A number of English writers have recognized the menace from private profit in war. Says Mr. H. N. Brailsford:[1]

"It is enough to realize that in every country and across every border there is a powerful group of capitalists closely allied to the fighting services, firmly intrenched in society and well served by politicians and journalists, whose business it is to exploit the rivalries and jealousies of nations and to practise the alchemy that transmutes hatred into gold. Against them are ranged the masses with their more numerous but ill-organized votes."

Promoting Militarism Among Defenseless Peoples.

The war traders are not content with the exploitation of their own country. They are active among revolutionary groups in distant parts of the world. They induce weak and helpless peoples to enter the race for armaments, for militarism, which

[1] *The War of Steel and Gold*, p. 93.

leads toward bankruptcy or intervention. Speaking of the activities of arms traders in this field, Mr. Perris says:[1]

"Evidently businesses of the magnitude of those with which we are dealing must have their agents and travellers, open and secret. What vaguely moves our disgust is, perhaps, just this, that it should be necessary for a certain class of British manufacturers, for whom a peculiar degree of patriotism has been claimed, to maintain abroad a service of scouts whose profit depends on their power of inveigling smaller foreign nations ('half-devil and half-child,' as the bard of empire called them) into the deadly feuds and the abominable waste of the 'great powers.' We know in our hearts that, in the case of these small states, the conventional arguments have none of the plausibility they have in England, France, or Germany. If Portugal is in danger, two or three battleships cannot save her. China no more needs torpedo craft than Canada needs dreadnaughts. The only reality on which such a trade can be based is the readiness for violence which seems to exist in and between certain South American states. Civil war or international war, no matter—the agent of some British trust stands at the elbow of the rival freebooters, and his trade depends upon their savagery. We are parties to solemn treaties closing large parts of the earth to the traffic in arms. We keep gunboats here and there to repress this illegal traffic. At the same time, arsenals and dockyards inseparably bound up with the British state are carrying on a larger traffic essentially of the same character. All

[1] *The War Traders*, p. 19.

over the world the name of England is being thus damned, in the eyes of the peoples and posterity, as the supreme exemplar in the arts of homicide. The iniquity of dumping opium upon a reluctant China has at last been most practically recognized. When shall we see that the trade in big guns and high explosives is equally a trade in poison?"

Under the influence of the British armament interests little Portugal was persuaded that she needed a new navy and that only British ship-builders could build it. Accordingly, a British syndicate was formed and a beginning made in a naval programme for a country with a revenue of only $80,000,000 a year, and a present debt of $900,000,000, by the appropriation of $7,500,000 for that purpose.

As one of the side products of the Chinese "five-power loan," referred to elsewhere, agreements were signed in 1913 for two 6-per-cent. loans, one for $10,000,000 in the name of the Austrian armament firms, and one for $6,000,000 in the name of the German firm, The Vulcan. The two loans were negotiated by the Austrian legation, and of this sum $7,500,000 was to be paid in cash, and the balance of $8,500,000 was to be held by the houses which negotiated the loan pending the purchase of torpedo-boats. Thus the financiers and war traders play into one another's hands.

Agents of the munitions factories cause trouble with barbarous and semi-civilized tribes in remote

corners of the earth. They sell obsolete and worthless arms. They promote sales, and by so doing foment revolutions in the Central American and South American countries. Raiding Afghans and revolutionists are among the best customers for obsolete equipment.

Speaking of the activities of the war traders in fomenting trouble in remote corners of the earth, Mr. Perris says:[1]

"For the best part of a century, England has freely spent money and life—we still spend many thousands of pounds yearly—in the effort to suppress slave-raiders and slave-traders in Africa and Asia, and to repel the attacks of tribesmen armed no longer with bows and arrows, but with modern rifles and cartridges. Where do these weapons come from? Who arms the hillmen of the Indian frontier, the road bandits of Persia who recently killed certain British officers; who arms the slavers of the Gulf, and the Arabs of the Tripolitaine, the Somalis and Abyssinians, the Albanians and Cretans, the Revolutionaries of South America, and the innumerable natives of inner Africa? Birmingham is not going to tell us the secrets of gun-running on the coast of Morocco. But this we know—that the British exports of firearms and ammunition (not including armor-plates and other large material) amounted in 1911 to 3,845,000 pounds, and that this 'patriotic' trade is rapidly growing. We may be sure that, in this instance also, the curse of militarism comes home to roost."

[1] Perris, *The War Traders*, p. 13.

Promoting Militarism at Home.

The munition makers keep up a constant propaganda for increased appropriations at home. "The munitions plants must be kept busy," they say, "otherwise capital will not invest in the industry, and the country will find itself unprepared in case of emergency." A great army of workmen must be kept employed. Behind this army are other workmen who fear for their jobs if men are thrown out of employment. The Armstrong, Whitworth Company supports 120,000 men, women, and children in the New-Castle-on-Tyne works alone, or about one-third of the whole population. Added to the actual workers in the mills and plants is the whole army of soldiers and pensioners, of contractors and business men who are directly or indirectly interested in seeing the munitions works kept going; and these classes, according to Mr. Perris, all told, amount to one-sixth of the occupied adult males of the United Kingdom.

Foreign war scares aid the propaganda, as does the adoption of some new gun, or the building of a new type of battleship. Fear is wrought upon. Ignorance contributes to the hysteria, as does any manifestation of activity by a supposed hostile power.

Here is a great organized syndicate, in its ramifications the most powerful in the kingdom, of capitalists and statesmen, financiers and workmen, officers and soldiers clamorous for war expenditure,

for the building of warships, the scrapping of old and the purchase of new armaments, and all so sympathetically represented by the owners and stockholders of newspapers and by public opinion that their voice is always heard.

The Appeal for Contracts.

The munition factories act as though the government owed them contracts. When there is a cessation of orders they do not hesitate to complain. The firm of Cammell-Laird was struck off the admiralty lists of contractors of Great Britain a few years ago. Thereupon the firm sent a letter to the late Lord Tweedmouth, stating that it had 4,000,000 pounds in issued shares and debenture capital, and urged in effect that the government, having acquiesced in the laying down of the plant and machinery, should feed it with orders. The large forces of workers in these plants also raise their voice for more armaments. In this they are backed by the imperialistic press. After the South African War, when a large part of the workmen at the Woolwich Arsenal were no longer needed, these newspapers, most of which had never shown any sympathy for labor, were loud in their demands that the government keep these men at work.

Commenting on the power and influence of these interests in Great Britain, a pamphlet of the World Peace Foundation says:[1]

[1] *Syndicates for War.* Reprint of London correspondent New York *Evening Post.* *World Peace Foundation*, vol. 1, July, 1911.

"We have to face the uncomfortable fact that year after year an increasing number of English workmen as well as of English capitalists and shareholders in every walk of life are placed in a position in which peace means for them financial loss, while war means prosperity. . . .

"Of the three classes I have mentioned, the capitalists are the most dangerous, for their power is tremendous, their wealth almost unlimited, and their patriotism *nil*. Even when they have not, like Krupp, their own organ in the press, they are hand in glove with all the great proprietors and editors; they belong to the same clubs as legislators and lawyers and authors; they are in close touch with all influences which mould public opinion; they have even about them a romantic glamour, such as never by any chance attaches to the men who make far more useful masterpieces, like boots or breeches. . . . It would be too much to ask of human nature to expect these men to refrain from raising war scares."

No other business has such an easy entry into the public prints; no other group is so immune from criticism or investigation; no other class is so eminently respectable or powerful. It is possessed of unlimited resources. It can maintain publicity agencies and propaganda organizations for national defense, for peace through preparedness, for the maintenance of the dignity and honor of the nation. Its ramifications are endless, and its methods so subterranean that they cannot be combated, even were any organization powerful enough to do so. Like the privileged interests of our cities, the munition

makers have every advantage and every weapon in their hands. Even democracy is undermined by the identification of the worker, and the traditional claims of patriotism with the cause for which munition makers claim to be working.

A New Menace to American Peace.

Here is a menace which America must face when the European war is over. Over one thousand million of war orders have been placed in this country. The profits have been enormous, running as high as 20, 30, and even 40 per cent. Scores of plants have been converted into munition factories. Immense sums have been invested in new machines. High wages have been paid, and immense fortunes realized from the traffic.

We have created such privileged groups before. We created them by the protective tariffs of the Civil War, by the land grants to the Pacific railroads, by the privileges of the national banks, by the princely grants of our cities to the franchise corporations. And for fifty years we have been reaping the consequences of our generosity. The taste for easy money once gratified does not willingly relinquish its privileges. And when the European war contracts have been filled there will be a powerful group of business interests, ramifying into banks and financial institutions, to which it will be immensely profitable to promote greater and greater expenditures for war. They are influential with the

press. They have a ready hearing by the public. And they may organize—if they have not already done so—to carry on an irresistible propaganda to stimulate war preparations and increased expenditures, as have the munition makers in the countries of Europe. This may be a costly price to pay for our present profits from the European war.

"Scrapping."

"Scrapping" existing munitions to create a market for new engines of destruction is a favorite occupation of the munition makers. A new gun of increased calibre makes valueless the equipment of all other countries with which the nation possessing it may be at war. Increased speed in cruisers makes still greater speed necessary by competitors. The $12,000,000 super-dreadnaught scraps the $10,000,000 dreadnaught, and the submarine may scrap them both. No sooner is a navy built or an army equipped than claims are made that it is out of date. During the past ten years we have spent $2,000,000,000 on our army and navy. It was aimed to place the United States on a par with Germany or France. Yet editorials and war propagandists insist that the navy is that of a third or fourth rate power; that the battleships are lacking in this equipment or that, that we have an inadequate complement of torpedo-boats, of destroyers, of convoys, of cruisers, and that in case of war, even with the exhausted and depleted nations of Europe, we should

be in a defenseless and helpless position. Such was the Mulliner scare in England; such are the tactics of the munition makers and ship-builders of Germany, France, and Italy. And to meet this hue and cry there is no court to which democracy can appeal, no experience to which Congress and the civil authorities can go save to the munition makers and the army and navy officials, for there are no standards of preparedness.

Nowhere in the civilized world is there such waste, and nowhere do civilians and experts proceed to colossal expenditures with less knowledge of the value of their output. In the whole realm of war expenditure everything is guesswork, and those who venture to criticise or insist upon some assurances of efficiency are immediately challenged as unpatriotic.

Germany has been unwilling to permit her billion-dollar fleet, which has commanded such unbounded enthusiasm, to emerge into the open seas, and has contented herself with the "wearing-down" process of submarine sniping. The toll of battleships in the Dardanelles has been large, while the open-sea fighting between isolated ships of Germany and England has left the score but little to the advantage of either country.

"Patriotism."

There is no narrow-minded patriotism, no insularity among the armament makers and war

traders. The whole world is their fatherland. The ensigns of every country fly from the mastheads of their battleships, and men of every race and creed man the guns made by Germans, English, French, and Americans. It matters not that stockholders and directors are high in confidential official positions; it signifies nothing that they are the most fervid of patriots in the halls of parliament and on the hustings, or that the protection they receive and a large part of the profits they enjoy are paid by the sufferings and the taxes of their own countrymen. The war traders are international in their sympathies, far more international than those who meet at the Hague conferences, but they differ in this particular: the intelligence and the capital of the war traders are for sale to any bidder.

The building of a Russian navy by a German firm, or of foreign battleships in English yards, scarcely excites comment. As late as 1913, when Turkey was the ally of Germany, the Armstrong-Vickers group in England entered into a contract to reorganize the Turkish naval dockyards. The English firms found the capital and technical knowledge essential to the success of the undertaking. At one time the German firm of Krupp and the French firm at Creusot (Schneider) united in a partnership to develop the iron-ore fields in Algeria. The partnership was continued until public opinion in France stopped it. The British arms trust had two

subsidiary companies in Italy, when Italy was the ally of Germany and Austria. Here battleships for Italy and Turkey have been constructed. It had other plants in Spain, Portugal, and Japan. After the Japanese war the Russian fleet was rebuilt by British, French, German, Belgian, and American firms at a cost of $250,000,000.

Among the revelations of Doctor Liebknecht in the Reichstag a few years ago was the fact that preferred shares in the steel-plate works at Dollingen were in the hands of Frenchmen, who enjoyed the profits from the exorbitant prices paid by the German Government for armor-plates. As stockholders, moreover, they could easily know just what the German Government had ordered, which might explain some of the "leaks" in that company. When the Socialist leader made his disclosures about the Krupps the government did not exactly defend the firm, but it took the chivalrous attitude governments are wont to take toward their munitions firms. The minister of war, Von Heeringen, claimed that only minor matters were in question, that too much fuss had been made over the scandals, etc. At any rate, as it turned out, only subordinates received punishment, and not very severe punishment at that.

The United States.

Patriotism should rise to exalted heights in such companies as the United States Steel Corporation,

the Bethlehem Steel Company, the Midvale Steel Company, and the du Pont Powder Trust. They have received every favor that a too-generous government could grant. They have been protected by prohibitive tariffs; they have been permitted to acquire vast iron ore, coal, and other deposits; they have been allowed to own other lines of industry and buy up competing plants. Up to the present time they have been immune from antitrust laws. Under the protecting arm of the government they have amassed property capitalized at approximately $2,000,000,000. For such governmental aids and largesses, unparalleled by the grants and subsidies of all other nations to their most favored industries, America should expect gratitude; it should expect treatment and prices at least as favorable as those given countries which are supposedly or potentially unfriendly to us.

But when profits are involved patriotism becomes sentimentality. It has no place in the counting-room. It is the most valuable ally in committee hearings and for navy and security leagues, but it halts when government contracts are involved.

The United States Government spends annually $240,000,000 on its army and navy, a large percentage of which goes to the four firms mentioned, which constitute the ammunition syndicate. The firms outside these four deal only in ammunition of

small calibre or in patented articles. Their contracts are but the crumbs which fall from the table. In 1893 the American armor syndicate sold armor to Russia for $249 a ton, while at the same time it charged the United States $616 a ton. This price cutting to Russia caused an outcry from the other makers of armor-plate. It led to a conference in Paris, at which an understanding was reached which put an end to such competition. Secretary Daniels was confronted with an example of this international patriotism when he set out to buy armor for the battleship *Pennsylvania*, recently launched. Referring to his advertisement for bids for this armor, he writes:[1]

"When we came to the armor we rejected all the bids, and were then absolutely in a situation from which it appeared there was no relief. Though you cannot establish it in black and white, there is no doubt of an armor-plate trust all over the world. That is to say, the people abroad who make armor-plate will not come here and submit bids, because they know if they do our manufacturers will go abroad and submit bids. They have divided the world, like Gaul, into three parts."

Monopoly Profits of the Munition Makers.

The armor syndicate is active at Washington. In 1913 the War Department purchased 7,000 4.7-inch shrapnel from the ammunition ring at $25.26

[1] "The World Wide War Trust"; speech by Honorable Clyde H. Tavenner, House of Representatives, February 15, 1915.

each. At the same time the government in its own arsenal at Frankford was able to manufacture the same article for $15.45. And this instance of excessive profits is not the exception. It is the rule. The syndicate charges $7 for a 31-second combination fuse, which can be manufactured in the government arsenal for $2.92. A short time ago, just before the European war broke out, Secretary Daniels requested prices from firms in the combination on a certain projectile. A price of $490 was quoted. Mr. Daniels then asked for bids from an independent English firm, taking care that the syndicate should hear of the step. As a result, the syndicate reduced its price to $325, and the secretary made his purchase at that figure. When he tried to buy the same article after the outbreak of hostilities, however, he learned that the price had been raised to $425, since European competition was cut off.[1]

Reports have been made by two investigating boards at Washington, in 1896 and 1906, by Secretary of the Navy Herbert and Rear Admiral Strauss, the present chief of ordnance, as to the proper cost of armor-plate. These reports showed that $95,656,240 was paid by the government for armor-plate from 1896 to 1914 at an average price of $440.04 per ton, whereas in a government factory of 20,000 tons' capacity it could be manufactured at $279 per ton. The estimates of experts

[1] Speech of Clyde Tavenner, *supra*.

as to the cost of armor-plate in a government factory ranged from $193 to $314 per ton, but at the high figure of $279 per ton it was stated that in eighteen years the government had paid $34,392,981 to the private armor-plate makers that would have been saved by a government plant.

In seven years we have paid $25,000,000 for powder, at a price ranging all the way from 53 cents to 80 cents a pound, while the government in its own plants is producing it at 36 cents per pound, all overhead charges included. It is claimed that from $8,000,000 to $10,000,000 would have been saved the government had competition existed or had the powder been manufactured in the government plants.

Recently the government itself took a contract for ammunition valued at $1,900,064, on which it saved $979,840. In other words, we saved approximately $1,000,000 on a $2,000,000 order, as compared with what it would have cost had the contract been awarded the ammunition syndicate.

An International Arms Trust.

There seems to be no doubt that an understanding existed prior to the European war between the armament makers of the world, although this is where such understandings should be classed as treason. Not only is there no competition in war munitions, but international corporations exist for preparations for war, like the Harvey Steel Company and the Nobel Dynamite Trust. The

stock of the former corporation was owned by the Bethlehem Steel Company of the United States, holding 4,301 shares, with which were united three other American firms; by seven of the great munition corporations of Great Britain, with over 10,000 shares; by two companies in Italy, and two in France, with 10,000 shares, and four French directors, holding 4,000 shares; by two companies from Germany, Krupp and the Dillinghams, with a combined holding of 7,462 shares; and by similar holdings in the Austrian Russian, and Belgian firms.

The Harvey Steel Company was registered in Great Britain as a corporation to "amalgamate or control four other companies holding the rights for the Harvey patents for treating steel." It was also the licensors for the Krupp and Charpy processes for hardening armor. Although paying handsome dividends, it is claimed that this company voluntarily wound up its affairs after two meetings held in July, 1912. It is stated, however, that the organization is not really dead, but has merely transferred itself into some less discoverable form.

In commenting on trade in munitions and private profits in this field of operations, Mr. John A. Hobson, one of the leading political economists of Great Britain, says:

"The recent evolution of the war trade, large firms swallowing up smaller firms, until practically the whole trade is contained within a dozen firms,

all interconnected by cross-holdings, interlocking directorates, and trade agreements, is a remarkable exhibition of concentrated capitalism. But the trade differs from others in having governments for its chief customers. All the arts, therefore, by which enterprising firms get trade, by stimulating wants, encouraging waste, 'doctoring' tastes and fashions, are focussed upon governments. For the performance of this work, they must handle politics in two ways. They must evoke and feed international fears and animosities, and they must incite states to make the most expensive provisions for meeting the dangers they have fabricated. The amazing revelations of the close personal relations of our government and the armament firms in themselves furnish such a crushing indictment that it is difficult to understand how our war office and admiralty can continue ladling out millions of the public money to these cormorants. Yet not only our government, but every other 'civilized' government, goes on building dreadnaughts and scrapping them, playing the gun and armor trick, the torpedo-boat and destroyer trick, and all the other tactics taught them by the trade, just as if it were all a clean and salutary public policy!

"Nor is this extravagance the worst. In the use of our foreign office to induce smaller or weaker states to play the game of war, we find a practice which can only be described by the term 'hellish.' Russia, France, Germany are equally impudent offenders. Our bad eminence is only due to the magnitude and superiority of our trade upon the one hand, of our fleet upon the other. The tragi-comedy is played upon the world-stage, its wastes, its crimes, its humors are widely distributed. 'The Shame of Japan' is a recent illustration of

how a 'newly civilized' power is dragged into the toils.

"The general effect left upon my mind is not one of horror or of reprobation of the war traders. After all, they are only applying to the special circumstances of their trade the methods common to all great business enterprises that are 'out for profits.' Even the falsification of news and the illicit 'commissions' belong to the 'customs' of such trades, and are generally prevalent throughout the business world. The real criminals are the government departments which dare to cultivate such corrupt and vicious relations with these traders. No one who reads this analysis can possibly doubt that high public officials in this and other countries are directly and indirectly 'bought' to do this shameful work of squandering the resources of their states upon 'jobs' conceived and perpetrated in the interests of the private firms who 'find the money.' It is the most striking example of a really 'servile state' that modern history presents."

CHAPTER XI

THE CAUSE OF INCREASING ARMAMENTS

Not only have the financiers and munition makers involved the world in their struggle for profits, they have burdened it with armaments to promote their private interests. Closely merged with the ruling classes, intimately identified with the foreign office, assisted by the doctrine of Lord Palmerston, that the flag follows the investor, and backed by an imperialistic press, high finance and the makers of war munitions have driven the countries of the world into ever-increasing "preparedness."

Overseas finance is the primary cause of the increased naval appropriations, of dreadnaughts, cruisers, and commerce destroyers, which have burdened not only Europe but America during the past quarter of a century.

The Beginning of "Preparedness."

Present-day militarism did not have its origin in the Franco-Prussian War, as is commonly supposed. Nor are the overseas conflicts struggles for markets, for colonies, for increasing population that cannot be employed at home. The conflict and the fear of conflict are in large part financial. It is a conflict of investors and great financiers rather than of

manufacturers. The great profits from imperialism are in the field of high finance; they come from the making of foreign loans, and especially in the securing of valuable concessions with the attendant profits that attach to such privileges. The game of imperialism is a struggle for privileges, not for the sale of goods and merchandise. For the trading class, powerful as it is in Germany, England, and the United States, is not comparable in influence with the great financial and banking houses, which are far more closely related to the ruling classes than are the industrial classes which in England and Prussia are still held in disdain. The foreign investor and the munition maker are more largely responsible for the wars and the war scares of the past fifteen years than all the trading classes combined.

All this seems very incredible to the ordinary person. How is it possible for bankers and those associated with bankers to exercise such an influence on the peace of the world? How can financiers embroil great nations in war? The reason is that the struggle is titanic; the sums involved are colossal; and the merger of government and private interests is so complete. That it is not set forth in state papers does not minimize its influence. The world is kept in the dark as to the silent, impersonal war of investors that is going on; a war which, up to the incoming of the present administration at Wash-

ington, seemed bound to involve America under "dollar diplomacy" in the most calamitous overseas entanglements that ever threatened us. Were the truth fully known, and could all of the consequences be appraised, the refusal of President Wilson to sanction American participation in the six-power loan to China would probably be held to be one of his greatest services to the nation and the future. It saved us from the kinds of consequences which will be described in detail in later chapters.

Naval Appropriations in Great Britain and the United States.

That the craze for armaments did not have its origin in the Franco-Prussian War, is seen by reference to its beginning. The great upward sweep of naval expenditure began in the nineties, twenty years after the defeat of France. It has continued without cessation ever since, as investments increased in amount and the power of the investing classes slowly but securely enveloped their respective governments. A comparison of naval appropriations with the growth of overseas investments demonstrates this.

The British expenditures for war preparations rose from 27,000,000 pounds in 1884 to 73,000,000 pounds in 1913. The purchase of the Suez Canal shares took place in 1875 and the occupation of Egypt in 1882. In 1890 our own appropriations for the navy were approximately $20,000,000; in 1914

they were $140,000,000. In the latter year the total appropriations for the army and the navy were in the neighborhood of $240,000,000.

This was the period when the great financial interests, when Wall Street, the tariff interests, and the railroads were ascendant in the councils of the nation. These were the years when navalism, "dollar diplomacy," and imperialism had their greatest influence at Washington. It was the era of trust formation, of high finance, of the "invisible government" in city, State, and nation. To all these interests a great navy was an essential element in national dignity. Privileged politics gave us militarism. It changed the United States from a nation of peace and a detachment from the warring imbroglios of the Old World into a nation verging close upon the follies and crimes that have brought shame and disaster to all of the greater nations of Europe.[1]

The Campaign for a German Navy.

For nearly twenty years after the Franco-Prussian War Germany was reasonably content with her achievements. Her energies were devoted to internal expansion, to the development of industry, to the unification of Germany under the ascendancy of Prussia. Her army was developed to a

[1] See speech of Clyde H. Tavenner, House of Representatives, December 15, 1915, "The Navy League Unmasked." It shows the financial connections of the officers and founders of the Navy League.

high state of efficiency. There was little belief in colonization or overseas possessions.

German trading settlements in northwest Africa, on the north coast of New Guinea, and in the new British islands came under the German flag in 1884. New territory in East Africa was annexed the following year, while in 1885 the colonial policy received the sanction of the Reichstag. German interests in Turkey began about 1890, and were rapidly expanded during the next ten years. But the motive of colonization was not very clear, and in so far as it was based on any programme it was that of overseas markets.

Germany was not in a position to join in the scramble for financial concessions, because her capital was needed at home. She had little surplus for foreign investments. Her manufacturers were building new plants, making extensions, and developing new processes.

Germany's naval programme began with the appearance of surplus capital and the growth of her colonial empire about the close of the nineteenth century, just as England's naval programme began some years earlier with the purchase of the shares of the Suez Canal and the expansion of her overseas investments. China was marked out as ripe for dismemberment. German bankers had secured the Bagdad Railway concessions from 1888 to 1898. The colonies in South Africa had been taken over,

and Germany was becoming conscious of new dreams of empire. German trade was challenging that of Great Britain. A merchant marine was being rapidly built, and growing population at home gave signs of political and social unrest.

All of these forces united to demand a big navy to secure for Germany a place in the sun. She must be consulted in the decisions of the world, in which prerogative Great Britain and France enjoyed a monopoly. When new concessions were being distributed, when spheres of influence were being parcelled out, when loans were being made, German financiers and German trading interests must be admitted to the conferences. Imperial dignity demanded a place in the financial parliament of the world. International dealings were now being carried on in the outskirts of civilization. A real empire could not sit idly by and be thus ignored.

Agitation for a Navy.

In the agitation for a navy the Kaiser was the leader, but for years he preached in vain. In 1888 naval estimates amounted to only $17,500,000. Ten years later they were less than $25,000,000. From 1898, however, naval appropriations grew apace. The programme of 1900 called for 38 ships of the line and 14 cruisers by 1920. There were further additions to this in 1906, and again in 1908. The programmes were in fact very elastic. The programmes from 1908 to 1918 were based on an

annual expenditure of more than $105,000,000, more than half of it reserved for new ships and armaments. In 1888 there were only 15,000 seamen and officers in the German navy. In 1908 they had increased to more than 50,000.[1] The tonnage of the navy grew from 325,000 tons in 1898 to 893,000 in 1912. During the same period the tonnage of the British fleet rose from 1,695,000 to 2,300,000 tons.

The Navy League was formed to carry on the propaganda for a great navy. Although only organized in 1898, ten years later it had a membership, individual and corporate, of over a million, and its growth was at the rate of 100,000 or more a year. Navalism was popular in Germany. It seized the imagination of the people. The most energetic workers of the League are the members of the reigning houses The League deluged the country with maps and pamphlets and tables of comparison of the English and German navies. It is always ready with ambitious ship-bui ding schemes, which the government takes care to disavow, but which, nevertheless, tend to be realized.

Just as the Conservative and Liberal parties in the English Parliament are united in the foreign policy of that country, so in Germany a similar harmony is now found on the question of naval extension.

[1] Dawson's *Evolution of Modern Germany*, p. 351.

The Growth of War Budgets.

The era of imperialism and foreign aggression began in the eighties with the occupation of Egypt by Great Britain. From 1870 to 1900 nearly 5,000,000 square miles of territory with an estimated population of 88,000,000 was added to her possessions. French expansion began with Algeria in 1830, but her colonial ambitions began in the eighties when France was crowded out of Egypt by Great Britain. Within a few years she added to her possessions, mostly in northern Africa, 3,500,000 square miles of territory, mostly tropical, with a population of 37,000,000. Germany's colonial development began at the same time. The first colonial society was organized in 1883. Cameroon in northwest Africa, Kaiser Wilhelm Land and the Bismarck Archipelago and other territory in East Africa were annexed in 1884 and 1885 as were certain Pacific islands. From 1884 to 1899 Germany brought under her domination 1,000,000 square miles of territory containing a population estimated at 14,000,000.

These were the years which saw the beginning of financial imperialism; they were years in which practically the whole undefended, uncivilized world fell under the control of the greater powers. In these years, too, the new "preparedness" had its beginning; the "preparedness" beside which the expenditures of the previous twenty years were insignificant.

That the controlling influence in the increase in armaments in recent years has been the financier, concession seeker, and expansionist is seen by an examination of the following tables:[1]

I. EXPENDITURES ON ARMY

	British	German	Excess (German)
	pounds	pounds	pounds
1893	18,359,000	30,127,000	11,768,000
1898	20,511,000	31,635,000	11,124,000
1903	37,944,000	32,446,000	5,498,000
1906	28,320,000	38,274,000	9,954,000
1911	27,760,300	39,930,100	12,169,800

II. EXPENDITURES ON NAVY

	British	German	Excess (British)
	pounds	pounds	pounds
1893	14,215,000	4,062,000	10,153,000
1898	26,070,000	6,299,000	19,771,000
1903	36,702,000	10,478,000	26,224,000
1906	32,061,000	13,335,000	18,726,000
1911	40,603,700	22,431,000	18,172,700

III. TOTAL EXPENDITURES, INCLUDING DEBT CHARGES, BRITISH AND GERMAN ARMY AND NAVY

	British	German	Excess (British)
	pounds	pounds	pounds
1893	58,588,000	37,448,000	21,140,000
1898	72,081,000	41,548,000	30,533,000
1903	102,186,000	47,995,000	54,231,000
1906	89,451,000	57,986,000	31,465,000
1911	92,864,000	76,342,600	16,519,400

[1] Lawson, *Modern Wars and War Taxes*, p. 134.

War Expenditure of the Powers.

Another table, showing the expenditures of all the military powers on army and navy, aggregate and per head, in selected years from 1902 to 1911, has been compiled by a German writer, Karl Radek.[1] It is as follows:

	MARKS	MARKS PER HEAD
GERMANY		
1902	874,536,000	15.08
1907	1,097,714,000	17.59
1911	1,259,029,000	19.16
GREAT BRITAIN		
1902	1,218,300,000	29.07
1907	1,178,308,000	27.00
1911	1,452,483,000	32.14
FRANCE		
1902	827,202,000	21.18
1907	910,127,000	23.21
1911	1,052,111,000	29.56
RUSSIA		
1902	958,015,000	6.94
1907	1,065,631,000	7.30
1911	1,285,328,000	8.37
AUSTRIA		
1902	401,604,000	8.69
1907	442,737,000	9.18
1911	548,800,000	10.55
ITALY		
1902	282,573,000	8.64
1907	371,298,000	9.87
1911	472,583,000	13.58
UNITED STATES		
1902	860,164,000	10.87
1907	1,085,572,000	12.61
1911	1,094,020,000	11.18
JAPAN		
1902	180,113,000	3.92
1907	416,464,000	8.46
1911	387,245,000	7.49

[1] *Der deutsche Imperialismus und die Arbeiterklasse.*

During the eighteen years from 1893 to 1911 British expenditures for the army increased by 51 per cent., while the expenditures for the navy were increased nearly threefold. The expenditure of Germany for the army has increased by 33 per cent. and for the navy by over 500 per cent. The increase has been most rapid since 1900. In ten years, from 1903 to 1913, the naval expenditure of the six great European powers grew from $390,000,000 to $720,000,000, while the total expenditures for the army and navy have increased from $1,135,000,000 to $1,910,000,000 The years which followed the Franco-Prussian War were years of almost negligible preparedness in comparison with those which preceded the present European war.

Navalism and militarism are a product of overseas investments. The colossal burdens of the warring nations are the direct result of the extension of high finance into the world at large. The ruling classes have sent the flags of their respective countries to protect their investments.

CHAPTER XII

THE MIND OF WARRING EUROPE

WAR has changed in character as have the relations of nations. The causes of the wars of Frederick the Great and Louis XIV were not different from those of Napoleon or Bismarck. They were waged for the extension or defense of boundaries, the rounding out of territory, the freeing of groups from foreign dominion. Such issues are of secondary importance in present-day wars. They scarcely figured in the Boer War, the Russo-Japanese War, or the present European war. Present-day wars are born of forces unknown even to Bismarck. They spring from conflicts of classes whose power is new to the world. New economic classes now control the destinies of Europe, and they control them in their own interests no less completely than did the feudal classes with which they have come to be more or less indistinguishably merged.

This merger of the feudal aristocracy of the eighteenth century with the financial aristocracy of the twentieth century is a fact of most portentous consequences. The merger is both economic and political. And as a result of this merger new economic classes now rule Europe almost as com-

pletely as did the feudalism of the seventeenth century.

The War Caste.

In this new feudalism of land and finance land monopoly is the ultimate basis of power. It lies back of the political and social position of the ruling caste. It gives it permanence. It binds it to the past. And despite the wealth and power of the financial classes, the control of Europe, outside of France and Italy, is in the hands of the nobility, whose interests have widened from a narrow nationalism into a financial imperialism which encompasses the whole world. This change in the interests and the outlook of the ruling classes has been generally overlooked by political writers. Yet without this merger war would be difficult, if not impossible.

The feudal aristocracy is still the war caste. This is true of all the powers except France, England, and Italy. It is a caste apart. It thinks of itself as it did in earlier centuries. From this class come the officers of the army and the navy. War is its calling, and it thinks almost exclusively in terms of its profession. Trained for war and thinking of war, it looks forward to the day when its training and its perfected engines of destruction will be put to use; when it will be called upon to display the courage, the devotion, and the sacrifice that have been extolled as the highest of all human virtues.

This is the first element in the mind of warring

Europe. It is a mind which views democracy with contempt, which places little value upon human life, which thinks of the state as something separate and apart from the people, and for the preservation of which the peasant and the workman are but fodder for guns.

The old feudal caste is also the diplomatic caste. It, too, thinks in terms of war as the natural and only method for the settlement of disputes. Diplomacy is another expression of the feudal idea of the state in which the ambassador and the foreign office are but the representatives of the King, the Emperor, or the Czar. These attributes of the old order have continued down to the present day, almost untouched by the industrial changes and revolutions of the nineteenth century.

All this has created a narrow militaristic psychology. But it affects all of the upper classes, because it determines the opportunities for advancement, for social and political distinction. And this caste psychology lies back of the mind of political and diplomatic Europe. It is a psychology that is responsible for war and preparations for war. It believes in war, and refuses to accept the suggestion of tribunals for the arbitrament of international disputes. It is a psychology so different from that of the ordinary man interested in his daily work, in trade, in art and literature, that it is almost as difficult to understand as are the cus-

toms of some savage tribe. The mind of central Europe, Russia, Austria-Hungary, and Germany is in these essentials the mind of the feudal state modified to some extent by the industrial and political changes of the nineteenth century.

The New Feudalism of Land and Capital.

The identification of the old aristocracy with war, rulership, and diplomacy does not of itself explain the wars which have convulsed Europe during the past quarter of a century. Continued peace might have been possible had industrial conditions remained as they were at the end of the Franco-Prussian War. But economic relations have been revolutionized during the past forty years.

In Great Britain, Germany, and France, and to some extent in Austria-Hungary, the rapid development of industry has given birth to a new class whose power is derived from finance and commerce. This class is strongest in Great Britain and Germany, in which countries industry is most highly developed. And this class has been merged with the landed aristocracy. The merger is not so complete in Germany as in Great Britain, for German industry is of comparatively recent origin. It dates back only to the Franco-Prussian War.

A new feudalism has been created through this merger of classes. There is still class conflict as to internal domestic policies. In Great Britain the conflict is seen in the struggle between the Conserva-

tive or landed party, and the Liberal or commercial party; it is seen in Germany between the Conservative or agrarian party, and the National Liberal or capitalistic party. The struggle is primarily over protective tariffs, taxation, and economic policies. In Great Britain the difference between the parties expresses itself over the Irish question, over disestablishment, over the power of the House of Lords, and the land question generally. In Germany the internal struggle is not so acute as in Great Britain, and the Conservative and National Liberal parties are frequently found working in unison.

But whatever the conflict as to domestic policies, the old aristocracy and the new are a unit as to foreign affairs. They are a unit through an identity of economic interests. In Great Britain both classes are united as to the control of the Mediterranean, on the partition of Persia, on the Morocco incident, and the policy to be followed toward Germany in her expansion into Turkey and Asia Minor. The same unity is found in Germany, though for somewhat different reasons. The National Liberal party is the party of the great captains of industry of the lower Rhine region, and especially of the iron, steel, and munition makers, which have grown so rapidly during the past generation. This is the industrial centre of Germany. It is the source of much of her wealth and industrial power. And the National Liberal party would have very much greater political

strength were it not for the unfair distribution of seats in the Reichstag, the power of the Bundesrath, and the position which the Junker enjoys under the constitution of Prussia. But aside from political parties, all Germany recognizes that the manufacturing and trading classes have made Germany the world power that she is. Even her military strength is traceable back to industry. It not only supplies her munitions, it supplies her finance as well. Industry, not agriculture, is the chief source of Germany's strength.

Economic Needs of Germany.

And just as both classes are a unit in Great Britain as to colonial and imperialistic policies, so in Germany there is agreement between the feudal and manufacturing classes as to the foreign policy of that country. It was the concessions of iron-ore mines in Morocco to the great iron and steel syndicates, the Krupps and the Mannesmanns, that influenced Germany's policy in that country; it was the desire for similar concessions for railways, mines, and raw materials that promoted the Bagdad Railway and political penetration into Turkey. And it is quite possible that the military operations of the present war were shaped in part by the necessities of the industrial classes of the lower Rhine region, rather than by the military caste.

Germany has only limited deposits of iron ore and coal. They are said to approach exhaustion in from thirty to fifty years. The Krupps and

Mannesmanns had secured iron-ore concessions in Morocco which they desired to hold. Similar deposits are found in Turkey and Asia Minor. And the invasion of Belgium and the occupation of the territory of northern France may have been inspired by the same motive. For Belgium contains valuable iron ore and coal deposits. They are easily accessible to the great industrial regions of the lower Rhine. The same is true of northern France. The territory already occupied contains three-quarters of the iron and coal fields of the latter country.[1]

Germany's military strength lies largely in her munition makers. It would be strange indeed if Germany did not go to any lengths to insure to this industry, to her railroads, her navy, and her merchant marine, a safe and sure supply of iron ore and coal for all future times. The desire for northern France, for Belgium, the readiness to hazard the good opinion of all the world to secure them may explain the drive through Belgium. It was a drive for coal and iron, as well as an attack upon Paris and Calais. For without new sources of raw material, Germany might be helpless before the world. Viewed in this light, German initiative in the war and the strategy employed are but a continuation along new lines of the aggressions against Denmark in 1864, against Austria in 1866, and against France

[1] This suggestion has been elaborated by H. N. Brailsford in *The New Republic*, December 18, 1915.

in 1870. They are aggressions for completed nationalism on an industrial as well as a race basis.

In this military and foreign policy the Junker and the commercial classes are united. Whatever the domestic conflicts of the agrarian and the industrial classes may be, they are a unit in the necessity for securing territory that would free the nation from a menace of exhaustion of iron and coal. And if the German campaign is studied from this point of view it becomes perfectly consistent; first a drive to the west and the establishment of a line beyond the desired possessions; then a drive to the southwest through the Balkans to Turkey for the same purpose. For Germany has secured from Turkey the most valuable concessions for minerals and other resources together with great land grants capable of producing cotton and wheat for her industrial and domestic needs.

Other German Aims.

But this is only a part of the psychology of the present war. It has endless ramifications. Germany insists on the freedom of the seas, especially of the Mediterranean; she desires the freest possible access to trading colonies now actually or potentially closed against her by the action of Great Britain and France. Germany desires to perfect the agencies of trade and commerce so that her superior industrial organization will enable her to reap the full returns on the preparations that have been made

during the past forty years, in which preparations every class has had a share. Even the German schoolmaster, the university professor, the scientist, the health officer, and the expert in every line of administration is identified with the programme, and is personally interested in seeing the result of his work in the army which he has aided in preparing. Consciously or unconsciously all these classes have had the Fatherland and its destiny before them in the foundations they have been laying during the past generation.

Great Britain.

The psychology of Great Britain is not so clear. Her army and navy are officered from the same class that officers the German army. More than anything else Great Britain desired the maintenance of the *status quo*. She had secured the choicest places on the earth's surface; she had encircled the Mediterranean, she was recognized as ascendant in Egypt and the Orient, in South Africa and the West and East Indies. She had nothing to gain by war and much to lose. And her national psychology, like that of Germany, was a merger of the mind of old aristocracy, which is the financial and ruling class and the ship owners, the bankers, the trading classes, and the powerful manufacturing class of the middle of England whose trade is identified with the strategic places that now control the maritime routes of the world. And the merger of the landed and

financial groups in Great Britain is even more close than it is in Germany. It is a merger cemented by marriage, by a more evenly balanced political power between the Liberal and Conservative parties, and by a public opinion that thinks in terms of world empire. There is no agrarian mind in England as in Germany; although the landed aristocracy owns far greater estates than in the latter country. For land in England is not primarily a source of wealth. It is rather a hall-mark of social distinction. Agriculture is a vanishing pursuit, occupying a smaller and smaller percentage of the people. The real economic forces of Great Britain are financial. And one-fourth of the income of the investing class is said to come from overseas investments. And as the investing class is the landed class and the shipping and munition-making class, the merger with the government is quite as complete as in the autocratic countries of the continent.

In France the imperialistic policy is based on the fact that the peasant is the investor. Overseas investments are made up of the small accumulations of the peasants and middle classes. This gives a democratic quality to her foreign policy. In Russia and Austria there is no such composite mind as in the other countries. For these countries are ruled by the old aristocracy. Imperialism is narrow and militaristic, and is bent on the control of the Balkans and Turkey with outlets on the Mediterranean.

This is the motive of Austrian foreign policy; it has been the motive of Russian policy for centuries.

Only in Germany, Great Britain, and France is the imperialistic mind the mind of the nation. In Germany it is a combination of the Junker, of industry, of finance; in Great Britain it is landed, financial, industrial, and maritime; in France it is a slumbering desire for the recapture of Alsace-Lorraine, for the humbling of Germany, the protection of billions invested in Russian bonds, the maintenance of concessions in the Balkans and the Near East, and the preservation of the colonies on the Mediterranean. In all of these nations the war mind is economic. It is neither racial, nationalistic, nor dynastic. It is a desire for industrial autonomy and expanded trade or the preservation of the privileges, monopolies, or concessions that have been acquired during the past forty years. To these groups have been added the powerful industrial groups interested in the making of munitions and battleships. They, too, are almost indistinguishably merged with the ruling classes and financial houses, with the press and the army and navy, all of which are a unit for war preparedness and military expenditure.

These are the classes that make the mind of Europe. These are the economic forces that have created the new imperialism. But only in so far as these classes have been able to mould public opinion is there an imperialistic or militaristic

psychology on the part of the people. They are for the most part swept along by the ruling classes, which have identified their personal and private interests with the interests of the state.

CHAPTER XIII

THE BEGINNINGS OF BRITISH IMPERIALISM AND THE OCCUPATION OF EGYPT

FINANCIAL imperialism, as distinguished from colonial expansion, is a recent development. It had its beginnings in Great Britain with the appearance of surplus capital seeking investment. During the first half of the last century English industry developed very rapidly. With the repeal of the corn laws her foreign trade penetrated to every quarter of the globe. The Manchester school of thought, with Cobden and Bright as its leaders, was dominant in politics, and the country had little desire for further conquests. The great manufacturers were, of course, always on the lookout for new markets, but they generally realized that annexation was of little value for trade purposes. Theirs was the liberal policy of free trade and the not altogether disinterested desire to see other peoples prosperous. The trading classes considered war a waste, new sources of trade a national gain. The domestic policy of the country was largely guided by the great manufacturing interests in control of the Liberal party. Cobden and Bright

were the strongest of peace advocates, and held that protective tariffs were one of the main causes of war. And the foreign policy of England reflected this point of view.

This policy of the merchant classes was a policy which made for peace on the whole, although it did not consistently keep the country out of war. Indeed the war with China, 1839–42, was one of the most disgraceful wars England ever engaged in. It was a trade war, one of its chief aims being to force China to accept the opium trade, which China had sought to ban. It resulted in the Treaty of Nankin in 1842, by which Hong-Kong was ceded to England, together with an indemnity of 6,000,000 pounds, while five ports, including Canton and Shanghai, were opened to the trade of the world. On the whole, there was little interest in foreign affairs, the energies of the country being bent on industrial development and questions of domestic policy.

During the third quarter of the century England was involved in the Crimean War and a number of smaller wars, but they were not yet the wars of financial imperialism that were to come later in the century, strongly as the Piræus incident of Lord Palmerston, referred to earlier, might suggest such an attitude. The Crimean War was due largely to the character and disposition of four English noblemen, and its purpose was to keep Turkey out of the hands of Russia.

The Beginning of Financial Imperialism.

The second period in England's foreign policy in which financial considerations guided the government began about 1875, with the secret purchase by Disraeli of the Suez Canal shares. The wars that followed, especially the Boer War, and the diplomatic manœuvres involved in keeping the "balance of power" and in overseas negotiations, were inspired in great part by questions of foreign investment. About 1882 the movement began for the acquisition of colonies, particularly in Africa, on the part of nearly all the European nations, the growth of armaments in all the more important countries, and the bitter feeling between them. From 1870 to 1900 Great Britain added to her possessions and "spheres of influence" no less than 4,750,000 square miles, with an estimated population of 88,000,000. The last decade of the nineteenth century witnessed the coming of the new diplomacy, the new era of financial wars, and the controlling influence of the financial powers. It was also the period of increasing armament born of overseas investments.

Whatever the value of Egypt and the Suez Canal, Great Britain has had to pay a heavy price for it. It cost her first the confidence and friendship of France, and later was a continuing cause of hostility on the part of Germany. It marked the beginning of the new imperialism with the colossal burden of armaments which it involved to all Europe.

It led to several wars with the Egyptians, to the subsequent expansion of British ambitions in the Mediterranean, and the development of the policy of "spheres of influence" in West Africa and the Near East on the part of the contending powers. All of these forces might have been set in motion, and all of these suspicions and jealousies enkindled by other influences, but they had their origin in England's aggressions in Egypt, which have been followed by endless diplomatic and other controversies covering a period of thirty-five years.

Egypt and the Dual Control.

The secret purchase in 1875 of 176,000 shares of the Suez Canal for 4,000,000 pounds may be taken as the first instance of the new imperialism on the part of any of the powers. To Disraeli belongs the responsibility for this purchase, which has proved a brilliant success from a financial point of view, for the shares now yield about 25 per cent. on the investment. England's purchase of the shares was facilitated by Disraeli's friendship with the city, and particularly with the banking-house of Rothschild. The French held the remainder of the 400,000 shares in the canal.

For years before the purchase French influence had been dominant in Egypt and much French money had gone toward the development of the country, especially during the reign of Khedive Mehemet Ali. Following the purchase the English began to invest

great sums in Egypt. They found it a lucrative field. The Khedive Ismail (1866–79) was a spendthrift, who contracted huge debts both for his own use and for public enterprises. European contractors overcharged him from 80 to 400 per cent. on construction works, and his creditors sometimes got as much as 25 per cent. interest on their loans to him. Of a loan of 32,000,000 pounds which he raised in 1873 only 20,000,000 ever reached the exchequer, the rest melting away in commissions to bankers, etc.

Egypt now fell under the dual control of Great Britain and France. The French and English diplomats knew of these usurious loans and supported them. The Egyptians were taxed to the limit of their capacity to pay, but Ismail could not guarantee payment of the interest. The 90,000,000 pounds of English and French money which had been recklessly poured into Egypt's public debt began to look insecure. Had the country had a constitution, or Ismail been of a different character, or the interest on the debt been less exorbitant, Egypt's finances would not have been wrecked. Nor would there have been any excuse for foreign occupation. The first two of these difficulties were overcome by the deposition of Ismail in 1879, some years before the occupation, but the interest on the foreign loans was not reduced till after the English occupation, under the regency of Lord Cromer. After the fall of Ismail, Tewfik, a puppet Khedive,

was supported by the British Government against the Nationalist party, which had risen in Egypt under the military leadership of Achmet Arabi Pasha. The Egyptian Nationalists wanted only a genuine constitutional government and freedom from European control, wherein they resembled the Young Turk party in Turkey. They did not dispute the public debt or repudiate its payment. Although Arabi and his army were backed by the Egyptian Parliament, England declared him a rebel. Arabi was defeated by the English in 1882 at Tel-el-Kebir, a battle which Achille Loria, the Italian economist, describes as the most brilliant ever bought with money. Yet for many years after the occupation in 1882 England asserted that her purpose in holding Egypt was to prepare the natives for self-government. The fact was, it would have been "bad business" for the English capitalists to have a strong Nationalist government in Egypt.

The Era of Exploitation.

Meanwhile the dual control had been quite as despotic as any Khedive. In the year 1877, a year of famine, taxes were collected in advance from the ruined peasants, in order that the usurious interest might be met. For the same reason many officers of the native army were dismissed with eighteen months back pay unpaid. The English and French supported the Khedive because they knew they

could not have the same control over a Nationalist government. Arabi was denounced as a rebel, and a riot and massacre just before the occupation offered an opportunity to discredit his party, although, as was charged, the riot was instigated for this very purpose by the backers of the Khedive. Ships had been sent to Alexandria by England, ostensibly to protect European lives, which were, however, more menaced than protected by their presence. There was no disorder in the country warranting foreign interference, yet Alexandria was bombarded and the English occupation begun. "The 12-per-cent. interest carried the day," says Mr. Brailsford. French ships were in the harbor at the time, but they weighed anchor while the British ships were in action.

For years Gladstone and the Liberals declared the intention of evacuating Egypt. The occupation itself was contrary to the Liberal principles with which Gladstone had entered office, yet that occupation was one of the most important acts of his administration. The party was soon won around to imperialism, until only the radical wing was left to protest. We find Cecil Rhodes declaring he would subscribe funds to his (the Liberal) party only if some of the "idealists" in the radical wing stopped talking nonsense about evacuating Egypt. So the Liberal party became imperialistic, with Lord Rosebery and Sir Edward Grey as the future leaders

of its foreign policy. Lord Rosebery was connected by marriage with the Rothschilds, who were, of course, vitally interested in seeing the continuance of the protectorate. Instead of evacuating Egypt the British went on farther to the Soudan and began to dream of the Cape to Cairo Railway.

Vast amounts of capital, nearly all British, have since been invested in Egypt. New shares were issued in limited companies in the year 1905 to a total of over $50,000,000.[1] Besides this there are many other forms of investment by individuals, contractors, etc. The aristocracy is well represented in these investments. Lord Milner is chairman of the new bank in Egypt and Sir Ernest Cassel, a personal friend of the late King, has large interests there also. It would be disadvantageous for these investors to have real self-government in Egypt. Their interests would not be so well protected by a native parliament, even if it consisted of large landowners, and they could not hope to run the politics of the country against a great native majority. So the elective councils which have been conceded to the Egyptians have little real power. Native governors have British "advisers," who are in reality commanders. Even should self-government at any time be granted, English capital in Egypt would demand for itself votes and representation.

The practices and policies adopted by England

[1] Brailsford, *The War of Steel and Gold*, p. 118.

in the subjection of Egypt have since become the established practices of Europe. With slight variations they have been applied by the French in Morocco, by Germany in her colonial possessions, and by England in South Africa, Persia, and elsewhere.

Alliances, "Ententes," and Increased Burdens of Armament.

The policy begun with the occupation of Egypt had momentous consequences. In a sense it marked the beginning of the new imperialism. France, irritated by the purchase of the canal shares, nevertheless co-operated with England throughout the dual control. She took no part, however, in the bombardment of Alexandria and resented the permanent occupation of Egypt by England. From 1882 till the formation of the *entente cordiale* in 1903 France and England were hostile. France turned to Russia for support and made that country a loan of 500,000,000 francs (1888) to mark the *rapprochement*.[1] England's two-power naval policy dates from this time, born of the fear that she might have to fight France and Russia at the same time.

The occupation of Egypt had an effect in another direction. It had been decided by the nations that a Turkish army, if any, was to invade Egypt. When England took that task upon herself she forfeited much of her influence in Turkey, where she was

[1] Fullerton, *Problems of Power*, p. 46.

superseded by Germany, which country has since been dominant. The friction with France culminated in the Fashoda incident, when Major Marchand threatened the hold of the English on the upper Nile. But France soon recognized the futility of opposition to Great Britain, and the two countries reached an agreement in 1903, whereby France's interests were recognized as paramount in Morocco and England's dominion in Egypt was acknowledged. There was also a secret agreement that England was to give "diplomatic support" to France, should the latter find it necessary to occupy Morocco. Germany was angered by the agreement, especially by the secret clause in it, which soon became public.

From this time also dates the tension between England and Germany. Germany felt she had been wronged in not being consulted about Morocco, that the *entente* had a broader meaning than the mere disposition of Morocco, that the other powers intended to isolate her and exclude her from "places in the sun," to which she could extend her sphere of influence. At any rate, Germany determined that her strength should be so great that no more territory like Morocco could be disposed of without her consent. Russia and France increased their armaments. Great Britain's expenditures for war preparation rose from 27,000,000 pounds in 1884 to 73,000,000 pounds in 1913.

Great Britain has never had to go to war for Egypt, but a great proportion of her war expenditures have been due to the policy begun there. The jealousies and fears growing out of the Egyptian control have been a cause of many war scares, all of which served to create fresh expenditures on armament and increase the bitterness between the nations. The two groups of European nations engaged their energies in a struggle for the "balance of power," a struggle which is still going on. In trying to preserve this balance each group is really aiming to turn the scales just a little in its own favor. When the *entente* was able to do so it extended its sphere of influence over Morocco, Egypt, Persia, and along the Yang-tse River. When Germany was ascendant she encouraged France in Tunis, French dominion having been recognized there in the Treaty of Bardo, 1881, for the purpose of alienating Italy from France and for securing greater influence in Turkey and Asia Minor, in which countries the financiers and imperialists of Germany were most vitally interested in preserving their influence.[1]

[1] Fullerton, *Problems of Power*, p. 45.

CHAPTER XIV

FRANCE AND THE MOROCCO INCIDENT

THE overseas expansion of France differs somewhat from that of Great Britain and Germany. The French have never emigrated in large numbers, as have the other peoples of Europe. They are not colonists. This is due partly to the French character, but largely to the wide distribution of land in France, which has identified the people with home ownership and maintained a high standard of living. Moreover, France is not an industrial country; her trading interests have not been highly developed, nor has her merchant marine. Democracy, too, has tempered the aggressiveness of the financial and trading classes, while the ruthless searchlight of radical parties and a free press have checked the imperialistic classes in their foreign aggressions.

France is, however, an investing country on a large scale. Her foreign investments are second only to those of Great Britain and amount to approximately $8,000,000,000. And her foreign policy is largely shaped by these investments, while her internal life has suffered seriously from the activities of the great financial houses which in the

opinion of many are the most corrupting influence in the government. Certainly they have shaped the life of France to disastrous ends.

The French Investor.

The French investor differs from the British investor in this: the French investor is the peasant, the tradesman, the middle class, whose individual savings are gathered together by the banking institutions and finally lodged in the financial institutions of Paris for investment. These banking institutions, by their intimate influence with the government and otherwise, determine the kind of investments into which the savings shall go. And by so doing they influence and often determine the ultimate foreign policy of the nation. For the government, whatever the composition of the ministry may be, is always responsive to the interests of the peasant and middle classes which form the ruling class in the state. The banks have used the powers enjoyed primarily for their own interest. They have diverted investments into those securities where they, the banks, would secure the largest commissions and concessions, which, however, did not go to the investor. The investor secured fixed rates of interest which, in the case of foreign loans, were higher than those at home. This made the foreign loans attractive. And the financial institutions are largely responsible for the unfortunate expansion of France into Tunis and Morocco, as

well as for imperilling thousands of millions of savings invested in the securities of Russia, Turkey, and the Balkan states.[1]

But this is not all. Overseas investment has made the French peasant an imperialist. It has linked him with autocratic Russia. It has identified the nation with the maintenance of the balance of power, the integrity of the Balkans, the preservation of French interests in Turkey, and the maintenance of control by France or a friendly nation of Morocco and the Mediterranean. Were it not for these investments France would be far less imperialistic than she is. There would be far more opposition to militarism and the alliance with Russia.

By reason of the wide distribution of foreign investments the French people are more closely identified with the foreign policy of their government than are the people of any other power. But these very investments have brought misfortunes and weaknesses upon the nation that might have been avoided. They are internal as well as external. France has been weakened by the export of capital. Money that should have been invested in internal

[1] In October, 1912, during the Balkan scare no country was so anxious to maintain peace as France. More than one hundred million francs of French capital had been lent to Roumania, Bulgaria, and Servia. M. Alfred Neymarck, vice-president of the French Society of Political Economy, stated in January, 1913: "France possesses at present in foreign state bonds and foreign securities 40 milliards of francs, paying an annual interest of about 2 milliards."—Fullerton, *Problems of Power*, p. 3.

improvements, in the building of railroads and canals and industrial promotion has been used in the development of foreign lands through the hope of higher returns.

The Beginning of French Colonial Policy.

The colonial policy of France, however, was not inspired by financial motives. It began in North Africa in the years which followed the war with Germany. It was encouraged by Bismarck, who felt that the more completely France was occupied with colonial enterprises the less concerned the people would be with revenge and the recovery of Alsace-Lorraine. And the rapid recovery of France from the war with Germany enabled her to enter on an aggressive colonial policy.

The purchase of the shares in the Suez Canal by Disraeli and the subsequent expansion of British influence in Egypt crowded France into other fields. Algeria had been occupied since 1830. French influence gradually developed in this territory until to-day it includes 342,500 square miles. Tonking and Laos in Asia were acquired in 1880, and Senegal, Sahara, and Tunis in North Africa about the same time. Through the absorption of Tunisia (1881) 50,000 square miles were added to her possessions. Exclusive of the expansion in New Caledonia, France acquired during these years over 3,500,000 square miles of territory, almost all tropical, with a population of 37,000,000.

Conflicting Claims in Morocco.

In Morocco, which lies to the west of Algeria and controls the Atlantic and Mediterranean seacoast west and east of Gibraltar, the task was more difficult than in Tunis to the east, for here there were conflicting claims by England, Germany, and Spain, all of a questionable character but still of sufficient importance to form the basis of diplomatic negotiations and trouble. The claims of Spain were based on grants and concessions which were vitalized into value by France in her efforts to make use of them in her designs of "peaceful penetration" into Morocco. German interests were of later origin. But they were far more solid than was generally admitted at the time of the *Panther* incident. She had participated in the Morocco Conference in 1880 which had resulted in agreements for the equal treatment of all countries in the trade of the country which Convention it was that made Morocco a question of international interest. In 1890 Germany and Morocco entered into a treaty by which the former country was granted the same trading and commercial rights as those enjoyed by the most favored nations. It was a treaty which insured the open door. As the result of these Conventions Germany's interests in Morocco grew rapidly, as did her financial activities. In addition to being interested in the national bank, the tobacco monopoly, the Krupps and Mannesmanns,

and other concessionaires held a large and possibly a preponderating interest in the iron-mines, in the construction of public works, docks, and other enterprises which were the result of governmental concessions.

The interest of Great Britain was largely political. For strategic reasons the coasts of the Mediterranean and the Atlantic Ocean must not be permitted to fall into the hands of any hostile power. For the Mediterranean was a British sea, and the coasts bordering upon it or contiguous to it might be used as a base of operations and become a menace to British control of the route to India. This led Great Britain to favor an independent Morocco.

The Morocco Incident.

In 1905 the powers were invited to a conference by the Sultan to be held in Algeciras in 1906. The purpose of the Conference was to establish the international position of Morocco and bring about needed reforms in her administration. As a result of this Convention the integrity and political independence of Morocco was assured by all of the great powers. This instrument formed the basis of the controversy over Morocco, the *Panther* incident, and the war scare of 1911 precipitated by the French invasion of Morocco territory.

Soon after the agreement with England in 1903, when the British Government recognized French

claims as paramount in Morocco, France manifested a desire to establish an exclusive protectorate over that country. At the diplomatic congress of Algeciras France had pledged herself to respect the independence of Morocco, and publicly renounced any intention of absorbing it. She agreed to observe strict neutrality in all commercial matters, and the "open door" to all. At this congress France complied reluctantly with the demands of Germany, and was possibly not sincere. At any rate, she immediately began to exceed the police powers which had been conceded to her and Spain, in view of large Spanish interests in Morocco. France's police powers were for the purpose of helping the Sultan keep peace and maintain his own authority, and when France exceeded her powers she gave these needs as her excuse. England supported France in her pretensions at every turn.

The story of peaceful penetration into Morocco by France is, with slight modifications, the story of Egypt, Tunis, and Persia. It resulted, in five years, in the reduction of the Algeciras act for the protection of the sovereignty of Morocco to a piece of waste paper. And the methods employed were the customary ones of high finance followed by political intervention. The young Sultan of Morocco had extravagant tastes. He plunged heavily into debt. He borrowed from French, Spanish, and British syndicates. One of the sights of Fez, the capital

city, a few years ago, was a great storeroom full of useless but expensive toys—water-boats, automobiles, etc.—on which the Sultan had spent his substance. In 1904 he paid off the old debts, amounting to about $4,000,000, by contracting a much heavier one in France alone of three times his previous liabilities. In this syndicate all the leading French colonial banks enjoyed a share. Morocco actually obtained less than $10,000,000, the banks making a profit of $2,500,000 on the transaction, although Morocco was required to pay interest upon the full amount of the loan. To satisfy the creditors the Sultan set aside 60 per cent. of the customs receipts, and in effect gave France control over her custom-houses to that extent. Other subsequent loans were made, and a part of the money realized was used in buying guns and ammunition from the French munition makers.

France was intrusted by the powers with the duty only of maintaining peace inside the country as a means of protection to foreign investments. Under the Algeciras act the political independence of Morocco had been guaranteed. In 1907 a Frenchman was murdered in one of the interior towns. France used this incident as a reason for invading the territory of Morocco, and of occupying the town of Udga just over the Algerian boundaries. Here she continued to remain, despite the frequent agreements to evacuate it.

"Political Penetration."

Financial penetration was followed by concession seekers. A French-Spanish syndicate secured the right to build a railroad, one of the termini of which was near a large Moorish cemetery. The company insisted, despite the protests of the natives, on building their line through this cemetery. As a consequence there was a collision between the population and the European workmen, in the course of which several of the latter were killed. There was some disturbance inside and outside of the town of Casablanca. Thereupon the French bombarded Casablanca, in which bombardment thousands of Moors were slain. The soldiers overran the whole of the district beyond in the extension of their authority, in which process several engagements took place. This was the beginning of the end of the integrity of Morocco.

The next step in the process of peaceful penetration was a financial one. France presented a claim upon the Moorish Government for $12,000,000 expenses incurred by France herself in seizing Moroccan territory and in killing the Sultan's subjects. An additional bill was presented as compensation for the losses suffered by European and Moorish merchants through the bombardment of Casablanca. This, too, was forced on Morocco, and was subsequently settled for $2,500,000.

As a result of these occurrences and the internal

disturbance which followed the Sultan lost his throne and his brother was proclaimed at Fez in 1908. Civil war followed and the country was in a ferment.

New Financial Aggressions.

The financiers made new demands. The Sultan was induced to contract another loan. A new consolidated issue was made amounting to $20,000,000 secured by Moorish revenues and including the entire customs receipts. The latter loan was an international one in which France was the predominant partner. By the end of 1910 Morocco's indebtedness to Europe had grown to $32,500,000. The net increase in seven years was $28,000,000.

According to an American writer familiar with North African conditions "The *French loan*, as the commission to liquidate the national debt is called, has stripped the country of its last shreds of real independence." [1]

Describing this loan Mr. E. D. Morel, an English writer, says: [2]

"This loan, like the previous one, was literally forced upon the Sultan. It was negotiated outside the Sultan altogether, insult being added to injury through the nomination by France as so-called guardian of Morocco's interests of . . . a Coptic journalist! Mulai-Hafid refused to ratify the agreement, and only yielded in the face of a French ulti-

[1] Albert Edwards, *Independent* (N. Y.), March 23, 1911.
[2] *Ten Years of Secret Diplomacy*, pp. 40, 41.

matum. The French interest in the loan was 40 per cent., the German 20 per cent., the British 15 per cent., the Spanish 15 per cent., the balance being distributed among other countries. The bonds of 500 francs were issued to the public at 485 francs, and in Berlin and Madrid were many times over applied for. According to M. Jaures's unchallenged statement in the French chamber on March 24 last year, the participating French banks were allowed to take up the bonds at 435 francs, and in the afternoon of the day of issue the bonds went up to 507 francs. The remaining 40 per cent. of the customs, certain harbor dues, and the tobacco monopoly were mortgaged as security for the bondholders—thus depriving the Moorish Government of all its resources save those which it might succeed in raising by direct taxation. The loan itself the Sultan could not touch, for it was already earmarked to pay off Morocco's previous debts.

"In order to carry on the machinery of government, indeed to keep up any form of native government at all, the unfortunate Sultan had no alternative but to spend his remaining strength in wringing tribute by violence from the tribes. By this time he had become a helpless puppet in the hands of France, and the exactions and cruelties to which he was driven in order to make both ends meet resulted in the last vestige of his authority being flung off. His surrender to the European financial octopus was described by the *Times* Tangier correspondent as having 'humbled' his 'arrogance in the eyes of Europe and of his own people.' A few weeks later we find the same correspondent exclaiming that the 'greater part of the country has been driven almost desperate by Mulai-Hafid's exactions.' But what else could have been expected? What else, it may

be added, was desired? It was merely the operation of cause and effect. Europe had emptied his exchequer and prevented him from refilling it. He was faced with an ever-increasing anarchy and with the desertion of the troops he could no longer pay. And all the while, France pressed her 'reforms' and extended the area of her military occupation. The condition of Morocco became absolutely chaotic, and the Sultan, unable to fight, unable to rule, unable to move, finally appealed to France. The French were only too ready to oblige!

"In April, 1910, General Moinier, at the head of 30,000 troops, had marched upon Fez, meeting with little or no opposition, occupying Mequinez, and other places en route, and had finally entered the capital where he proceeded to settle down."

The Financiers and the French Press.

The French press, identified with the financiers, swept the government on to this occupation of the country. The story of how the occupation was brought to pass is related by a well-informed French publicist, M. Francis de Pressensé, who described it as follows:

"Nevertheless matters were still not sufficiently to the liking of the impressarii. To justify the financial operation which was to crown the sordid tragic-comedy, something else was still needed. And at this point the Comité du Maroc and its organs surpassed themselves. They organized a campaign of systematic untruth. Masters of almost the entire press, they swamped the public with false news. Fez was represented as threatened by siege or sack. A whole European colony was suddenly discovered

there living in anguish. The ultimate fate of the women and children was described in the most moving terms. Even in the absence of independent information one could not fail to be struck by the singular contradictions of these alarmist despatches. Now, Fez was lost because the *Mehallah*, commanded by a French instructor, was away. Anon the return of the said *Mehallah* was calculated to lose Fez. One day, the alarmed public learned that the town had undergone a formidable assault. The next day the public was gravely told that the rebels had not yet assembled, but in a few days would surround Fez with a circle of iron and flame. The most lamentable details were given of the state of the expeditionary *Mehallah* which only possessed an insignificant quantity of cartridges and shells, but this did not prevent the subsequent announcement that, thanks to the heroism of its leader, it had achieved a great victory and scattered the enemy with a hail-storm of shot and shell. Finally it was affirmed that in case of siege the city was only provisioned for two or three weeks. Thus carefully cooked, public opinion soon took fire. What was the government thinking of? At all cost the Europeans, the Sultan, Fez itself must be saved. . . . As ever, from the beginning of this enterprise, the government knew nothing, willed nothing of itself. With a salutary dread of complications it would have preferred not to move, perhaps, even, had it dared, to withdraw from the hornet's nest. But the greater fears it experienced from another quarter prevailed; those inculcated by the so-called patriotic shoutings, the concerted clamors of the orchestra of which the Comité du Maroc holds the baton, and whose chief performers are to be found in *Le Temps* and *Le Matin*. The order to

advance was given. . . . Already while the expedition was on its way, light began to pierce. Those redoubtable rebels who were threatening Fez had disappeared like the dew in the morning. Barely did a few ragged horsemen fire off a shot or two before turning round and riding away at a furious gallop. A too disingenuous, or too truthful, correspondent gave the show away. The expeditionary force complains, he gravely records, of the absence of the enemy; the approaching harvest season is keeping all the healthy males in the fields! Thus did the phantom so dexterously conjured by the Comité du Maroc for the benefit of its aims disappear in a night. . . . Avowals and disclosures then began in right earnest. One of the correspondents who had contributed his share to the concert of lying news, wrote with an admirable sang-froid that, in truth, there had been some exaggeration, that, in point of fact, at no moment had the safety of Fez and its inhabitants been seriously menaced; that the idea of a regular siege and of a sudden capture had been alike chimerical and that, moreover, so far as the provisioning of the place was concerned, he could reassure the most timorous that there was sufficient corn in the city to feed the whole population, plus the expeditionary column, for more than a year!

"The farce was played. After Casablanca, Fez. France, without realizing it, without wishing it, almost without knowing it, had taken a decisive step. An indefinite occupation of the capital was the natural prelude to a protectorate. For the clever men who had invented and executed the scenario there now remained only the task of reaping the fruit of their efforts. The era of concessions, profits, dividends was about to open. Pre-

mature joyfulness! It was the era of difficulties which was at hand."[1]

The End of Moroccan Independence.

The occupation of Fez was the end of Moroccan independence guaranteed by the powers. The action of France aroused Germany. The *Panther* was sent to Agadir. No landing was made, and no territory was occupied. Germany's representative did, however, intimate that she did not propose to permit the act of Algeciras to be set aside by France and Spain without discussion. And this act provided for the integrity and political independence of Morocco. It upheld the open door and the protection of German interests, which were very large. But an *impasse* had been created. Morocco had been occupied by nearly a hundred thousand French and Spanish troops. A French army of occupation was in the capital. The authority of the Sultan had gone. Morocco had ceased to be an independent state. For Germany to demand a return to the *status quo* would have humiliated France, and this was out of the question. As in the building of the Bagdad Railway, an act of aggression involving the "dignity" of the agressor nation having been committed by one of the great powers, withdrawal was impossible.

German Interests in Morocco.

Germany had two reasons for attempting to keep

[1] Quoted by E. Morel, *Ten Years of Secret Diplomacy*, p. 107.

Morocco from French domination, the one directly a trade reason the other indirectly so. Germany desired new markets, and was loath to see any market shut to her goods, however poor the market might be. She had reason to believe that France would discriminate against her as soon as the "open-door" policy in Morocco was disregarded, for the French colonial policy has been exclusive in the extreme. France had undoubtedly planned to close Morocco to other nations, just as she has closed Algeria, Tunisia, and Indo-China, in spite of her promises of equal treatment. The soil of Morocco is fertile, and the purchasing power of the Moor is growing. The exports of the land, however, are not yet great, raw hides being still the chief article among them. But almost every metal is found there. Germany is especially interested in the valuable mineral deposits of the Sus province.[1]

The second and probably the most important reason for Germany's activity was her desire to pro-

[1] Frederic W. Wile, Berlin correspondent of the London *Daily Mail*, wrote to his paper in July, 1911:

"The Mannesmanns' mining activities in Morocco are said to be inspired by the necessity of assuring the German steel and iron industry new sources of supply. There is alleged to be genuine concern over the diminishing supply in German mines. Great firms, like the Krupps of Essen and some of the 'uncrowned potentates' of Rhineland-Westphalia are associated with the Mannesmanns in the Moroccan venture and between them make up the 25 per cent. of German interest in the Union des Mines Marocaines, which had so large a rôle in the Moorish troubles. The Krupps, etc., are also heavily interested in steel mills, iron-mines, and transportation projects affecting their industry in Scandinavia and Russia and even in Normandy."—(Fullerton, *Problems of Power*, p. 224.)

tect Islam from European domination. The German Emperor, as stated elsewhere, had declared himself the protector of Islam. A successful attack upon the Moorish Government would injure German prestige with the Mohammedans, among whom Germany hoped for the new markets she deems of such vital importance. Loss of influence at Constantinople might mean the wrecking of Germany's Bagdad Railway project. It was for this reason that Germany refused to join Christendom in protecting the Armenians from massacre. Yet she was unable to stop Italy from driving the Turks out of Tripoli.

A Prelude to the Present War.

There were endless conferences over concessions, privileges, and the readjustment of boundary-lines. The German concessionaires appealed to their government for protection, and finally negotiations were opened on the part of France, England, and Germany for the settlement of the matter. England's rights in Morocco were far less important than those of either France or Germany. She was interested more in the protection of Gibraltar and her route to the Suez Canal than in financial investments. But Great Britain came to the aid of France, and in a speech in the City Mr. Lloyd George, with the approval of certain members of the cabinet, asserted that Great Britain would support France in her claims.

Speaking of the Morocco incident J. Ramsay Macdonald, M. P., said:[1]

"'It is all ancient history now,' it may be said. 'We have our Egypt and France has her Morocco, and the end has justified the means.' But the fact is that the events and the policy exposed in this book (*Morocco and Diplomacy*) form an introduction to the present war. The Morocco affair slammed the doors in the faces of the peacemakers in Europe."

Commenting on the same situation Mr. E. D. Morel said:[2]

"The Morocco problem itself and that of the Congo which (in another aspect than the one the public is familiar with) has now been grafted upon it, still contain numerous elements of international conflict—possibly of very grave conflicts. As a French writer of repute has put it: 'The arrangement of 1911 is either the prelude to a real understanding between France and Germany, or it is the prelude of war.'"

That war did not at that time (1911) result from the incident was due in part to the fact that the French bankers recalled their loans and upset the Berlin Exchange. The local trouble was smoothed over between France and Germany by the exchange of some territory in Africa, but Germany was not satisfied, and bitter feelings still remained. By the settlement (1911) 100,000 square miles of

[1] *Ten Years of Secret Diplomacy.* (Introduction.) [2] *Idem.*

solid ground along the Congo and Ubangi Rivers, and a stretch on the western coast was given to Germany, while Germany in turn gave up a small piece of her territory in the northeastern part of Cameroon. The exchange netted Germany three new valuable trading-points and stimulated her ambition to connect by rail her territories on the eastern and western coasts of Africa. No consideration was shown the natives in the partition.

CHAPTER XV

THE PARTITION OF PERSIA

"THE strangling of Persia," as Mr. W. Morgan Shuster terms it, is the most recent, though perhaps not an altogether typical, instance of the gradual encroachment of commercial domination and spheres of influence in a weak, almost helpless country, into a protectorate, with foreign control of the country's internal affairs. The population of Persia is less than 10,000,000, and the area 610,000 square miles. In Persia the process of absorption is not quite complete. Russia, secretly bent on dominating the land, has been blocked to some extent by England, but England has not checked the aggressions of the Czar as the champion of Persian liberty. She has rather been a passive accomplice of Russia, anxious only that her own claims remain inviolate.

The Russian Advance.

For many years prior to the Anglo-Russian Convention of 1907 Russia had been interested in northern Persia, and this interest tended to advance steadily southward. England viewed this advance with alarm, for she too had eyes on Persia.

She was especially concerned to see that the shores of the Persian Gulf in close proximity to India did not fall under the control of any European power, for the way to India must be kept free, and the Suez Canal must not be menaced. Russia also looked with longing eyes toward the Persian Gulf; and semi-official utterances stated that no division of the country should be made that jeopardized Russian claims to advancement to the sea.

Nevertheless, English diplomacy succeeded in bringing about the Convention of 1907, under which instrument the British foreign office flattered itself that the Russian "march to the gulf" had been halted. Under the terms of the Convention Russian interests, including banks, railroads, etc., were to be confined to the northern portion of the country, and British interests to the southern, while between the two there was to be established a substantial neutral zone, in which both the signatory powers might seek concessions. This zone included the Persian Gulf ports. *It was expressly stated in the Convention that Persian independence was to be safeguarded.* Political interests were not included in the spheres of influence.

The Struggle for Self-Government.

Meanwhile the Persians were struggling to establish real self-government on the basis of the constitution forced from the Muzzafar-ed-din, the predecessor of Mohammed Ali, in 1906. Mohammed

Ali soon betrayed his opposition to popular government and dissolved the Mejliss, or representative assembly, by force in June, 1908, probably with the support of Russia. The Nationalists rose in revolt against his authority at Tabriz, and held out until the following May, when a Russian force occupied the city, "to protect the lives of foreigners." Finally in July, 1909, the Nationalist forces captured the capital, Teheran, and the Shah had to abdicate and flee to Europe. His young son, Ahmed Mirza, was proclaimed Shah in his place, with a regent at the head of the government. Again the Mejliss was called together, and efforts were made against great odds to restore the liberal constitutional government. The people were not trained to self-government, however. The cabinet, elected by the Mejliss, was often directly opposed to its wishes. Ministers changed portfolios among themselves, and then changed back again. Most of them soon came under the influence of the foreign legations in Persia and represented the interests of these or their own selfish interests. The Mejliss was ignorant of parliamentary procedure, it was broken up into political cliques, it never seemed to "get anywhere," and on occasion assumed executive powers.

The treasury was bankrupt. Expenditure exceeded the income. The Russian debt of 1900 amounted to 22,500,000 rubles at 5 per cent., guar-

anteed upon the customs receipts of the province of Fars and the Persian Gulf ports. Another loan of 1902 amounted to 10,000,000 rubles at 5 per cent. The British loan of 1911 was 1,250,000 pounds.

Effort at Freedom from Foreign Control.

Then the Mejliss decided to employ American experts to administer Persia's finances. From the beginning Russia was hostile to the move. The Russian Government sounded the State Department at Washington with a view to obtaining its refusal to the sending of American citizens to Persia to administer her finances. Finally, Mr. W. Morgan Shuster and a few assistants went to Persia. The State Department merely recommended Mr. Shuster and assumed no responsibility in any way in the matter.

Mr. Shuster reached the country in May, 1911. Almost from the beginning he encountered Russian opposition. By a law of the Mejliss, June 13, 1911, defining the powers of the treasurer-general, Mr. Shuster was given charge of the collection of the revenue and supervision of the expenditure. According to Mr. Shuster the Russian legation immediately declared war on the law, and announced that the Belgian customs employees should not be subject to the control of the treasurer-general. It even went so far as to threaten to seize the customs and put Russian officials in charge of the custom-houses, although the Belgian agents were complacent enough

to Russian demands. M. Mornard, a Belgian, director of the customs service, announced he would not obey the law of the government that employed him (the Persian Government) nor recognize the American treasurer-general. Acting upon the Russian initiative in these purely internal matters, the German, French, Italian, and Austrian legations entered all kinds of protests to the Persian foreign office. This all happened before any step took place that could possibly be called a breach of the interests of the foreign governments.[1]

Russian Intrigue.

A second attack on Persian sovereignty, even more subversive than the first, was launched by Russia in the summer of 1911, this with the somewhat reluctant participation of Great Britain. Again it was a matter concerning the administration of the treasury. Mr. Shuster had been given permission to organize a treasury gendarmerie, which should act as the power behind the tax collectors, for in Persia taxes cannot be collected without a show of force. Large amounts of taxes never came in at all, and some of the rich Persian reactionaries, encouraged by the Russian officials, refused to pay their assessments. After seeking far and wide for a man with the proper qualifications for training the gendarmerie, Shuster decided on Major Stokes of the Indian army, who knew Persian conditions

[1] W. Morgan Shuster, in *Hearst's Magazine*, April, 1912.

thoroughly and could speak the language. The British Government notified the Persian foreign office that it could not agree to Stokes's appointment unless he resigned from the Indian army. Stokes acquiesced in this, and everything seemed settled. Then Russia objected to the appointment of Stokes as "inimical to her interests." Sir Edward Grey, desirous of not offending Russia, reversed his former position and said Stokes might accept the post only if he was to be employed in the English sphere of influence. He warned Persia that the employment of Stokes in the northern part of the country, including Teheran, would provoke "retaliatory action on the part of Russia, which England would not be in a position to deprecate." The truth was, the *Novoe Vremya*, a powerful organ of Russian imperialism, urged on by the Russian foreign office, had begun to bluster about the affair. Sir Edward Grey dared do nothing at the time which might weaken the *entente*.

Now, the Persian Government had never recognized either of the spheres of influence mentioned in the Convention of 1907, and Russia would not declare what interests were menaced by the appointment. The plain purpose of the Convention was that neither signatory power should ask for itself, or support in favor of its subjects, any concession of a political or commercial nature, such as concessions for railways, banks, telegraphs, roads, transport,

insurance, etc., within the so-called sphere of influence of the other.[1] This is a familiar agreement in the division of a weak nation. But Major Stokes was not a concession. England and Russia would not define what they meant by their rights and respective interests in Persia, but they evidently claimed the right to pass on any particular act of the Persian Government or any of its officials in the purely internal administration of the country, and to prevent that act by force, as events soon showed, if it did not suit them. Sir Edward Grey tried to explain his conduct with regard to Stokes on the ground that his appointment would have been a violation of the "spirit" of the Anglo-Russian Convention. But why, asks Shuster most naturally, question its spirit when its words are so plain? The British Government accused Shuster of lack of finesse in dealing with diplomatic conventions, but Shuster answered that if there was any secret political significance in the "spheres," he should have been told of it; that he thought the powers were acting in good faith toward Persia and desired only that their commercial interests should be respected, and that he was acting on behalf of the Persian Government, which had steadfastly refused to recognize the spheres of influence. Indeed, what the Mejliss feared was the very suggestion made by Sir Edward Grey, namely that Stokes

[1] Shuster, *The Strangling of Persia*, p. 77.

would be employed in the south only, thereby tacitly confirming the division.

The Convention of 1907 had solemnly guaranteed the independence and integrity of Persia, and no clause or word in it gave the powers the right to interfere in the internal affairs of the country. The Stokes incident showed that Russia at least had ulterior motives, which threatened Persian sovereignty in its most elemental functions; that with her the letter of the treaty counted for nothing, and that she claimed and exercised the right to interfere in purely domestic concerns. Great Britain yielded the point. Russia's compromise offer, to accept a Swedish officer in place of Major Stokes, was of no practical use, for the post required a man of Stokes's qualifications only.

Internal Revolution.

Another blow against constitutional government in Persia was the escape of the ex-Shah Mohammed Ali, in the fall of 1911, from Odessa, where he was supposed to be interned. He entered Persia with a considerable army, plotted with the Turcomans for the recapture of his throne, and raised to his standards great numbers of reactionaries and marauders of all types. The Nationalist forces, so far as regular troops were concerned, were almost nonexistent. Such armies as the government was able to raise consisted largely of semi-nomadic tribesmen and self-seekers. The revolt threatened Per-

sia's independence and strained her finances to the breaking-point. The Russian Government, acting for itself and Great Britain, had in 1909 assumed the responsibility of keeping the ex-Shah to his agreement not to engage in any political agitation against the constitutional government of Persia. But instead of helping the government of Persia to the extent at least of warding off rebellion under Mohammed Ali, it is believed the Russian Government actually aided him in his invasion. At least Russia was very lax in carrying out her trust. It is improbable that Russia did not aid him in escaping, and it is quite certain that that government would have been glad to see him reoccupy the throne, for a tyrant like Mohammed was recognized by Russia as the best means of advancing her aggressive policy in Persia. A constitutional government, however young and weak, would be far less tractable than a single despot on a throne.[1]

For some time before his departure from Europe Mohammed Ali was known to be buying arms in Vienna. He sailed away in a Russian boat, his face disguised only by a beard, his rifles in cases marked "mineral water." The Russian consuls in Persia openly rejoiced at any successes of Mohammed's generals. England and Russia in similar notes recognized the ex-Shah's belligerency. Shuster reports that the Russian minister asked him

[1] Shuster, *supra*, p. 109.

after dinner one evening if he would not keep his post under Mohammed Ali and simply remain passive till the change took place. Finally, however, the ex-Shah was defeated and fled to Europe, in March, 1912.

Stirring up Civil War.

But Russia did not permit the failure of the ex-Shah's cause to interfere with her ambitions. For months she had been seeking to provoke a Persian attack upon Russian officials. The opportunity came when the Persians confiscated the estates of one of the leading rebels. The Persian soldiers, taunted in carrying out their work by a few Russian consular officials, managed to control themselves. But the Russians had come to provoke a quarrel and furnish an excuse for calling on their troops; and when the occasion was not given they invented the story of an attack. An ultimatum was sent to Persia demanding an apology and a return of the estates. The British Government advised the Persians to yield, which they finally did. But Russia did not want compliance with her wishes but rather a pretext for sending troops. The Persian officials were notified that a second ultimatum was already on the way. This ultimatum, of November 29, 1911, demanded that the Persian Government dismiss Shuster and his assistants and that it no longer engage foreign subjects in the service of Persia without first obtaining the consent of the

Russian and British legations. The payment of an indemnity by the Persian Government for the expenses of the Russian troops sent to Persia to back the ultimatum was also demanded.

Great Britain's name was freely used in the ultimatum, although only the Russian minister presented it. Some slight pretext, of course, was found for Russia's objection to Shuster, but it was entirely unfounded. Toward the end of 1911 and early in 1912 thousands of Russian troops were stationed throughout the province of Azerbaijen and in northeastern Khorassan, although Russia insisted this meant no threat to Persian independence, and said the troops would be withdrawn as soon as order was restored.

"By an act of rare heroism," as Shuster calls it, the Mejliss voted resistance to the second ultimatum, but the cabinet gave way. Finally came the coup d'état of December 24, 1911, when the Mejliss was dissolved by the regent.

Russia's sway was now all but complete. Shuster thereupon left Persia. On his return to America he announced that, as a consequence of European meddling, Persia was in a state of anarchy. The power was in the hands of seven Persian officials, who were without character and honesty and were despised by the people. Their continuance was wholly due to the support of the British and Russian Governments. Shuster explained that Russia

was able to carry through her aggressive policy in Persia by reason of the Moroccan crisis in Europe, which left Russia free to work out her will in the East without pressure from England or Germany, which were otherwise occupied. The Potsdam agreement between Germany and Russia in 1911 also strengthened Russia's hands, one of the articles in that agreement being that German capital would assist in the construction of a railway from Teheran to Khanikin on the Turco-Persian frontier. This line, financed partly by Germany and partly by Russia, was to be under the control of the Russian concessionaires.[1] There may have been secret clauses in the agreement giving Russia still further powers in return for her good-will in the German Bagdad Railway project.

English Defense of Her Policy in Persia.

England's conduct throughout the entire affair aroused much criticism both at home and abroad. Lovat Fraser writes a defense of British procedure in Persia in the *Edinburgh Review*, of October, 1912. But even if the Persians were as unfit for self-government as he asserts, and even if England and Russia had the good intentions toward Persia with which he credits them, the fact remains that these powers took advantage of Persia's weakness for their own commercial and political advantage and that to-day the country is a protectorate in

[1] Shuster, *supra*, p. 254.

all but name. Fraser's conclusion that the Persians are unfit for self-government is based on the facts that they are an imaginative, deliberative people, good at parliamentary debates, but lacking in the ability to decide on a definite course of action. The cabinet was usually opposed to the Mejliss. The ministers were unpatriotic and sought to further their own interests or those of the foreign legations under whose power they had fallen. Many of the members of the Mejliss were selfish schemers, and others were in the control of political cliques. In defense of Russia Mr. Fraser denies that there was any "open intervention" on her part in favor of Mohammed Ali at the dissolution of the first Mejliss, as Shuster asserts. He interprets the taking of Tabriz by the Russian troops during the Nationalist uprising as an advantage to the Nationalist cause, for their soldiers were in dire straits at the time. He also questions other accusations of Shuster against Russia. The Nationalist forces were to him little more than robbers, and he refuses to see any patriotic motive in their struggle. Shuster had no right to complain of the coup d'état of December 24, 1911, when the Mejliss made an attempt to resist the Russian ultimatum, for the Mejliss had been in session at least a month beyond the legal term of two years. Fraser admits that Russia had massed troops at various points in the north of Persia, and Great Britain a much smaller force in the south, but claims

that these were necessary to preserve Persia from herself. British interests, besides trade, loans, and treaties, demanded that the Persian Gulf remain inviolate.

British Political Interests.

This is the British Monroe Doctrine of the Middle East. Were Persia allowed to remain in a state of anarchy her shores would be invaded by foreign powers. The route to the East, Egypt, and the Suez Canal would be in danger. Russia, too, could not remain passive while Persia was in anarchy, because Russia governs subject races just to the north of Persia. Great Britain, he avows, has no desire for conquest in Persia, but he cannot say the same for Russia, although that country "has repeatedly exercised the greatest restraint in Persia and has been faithful to her pledges to Great Britain." Both powers for years pursued "as far as possible a policy of non-intervention in Persian internal affairs." Russia never sent troops to Persia without good reason, although sometimes in excessive numbers, and when she finally developed hostility to the Nationalists she did so under extreme provocation. As for Russian and English relations in Persia, Mr. Fraser says: "It would be foolish not to recognize that the pressure of Russia upon northern Persia is like the pressure of the ocean upon a weak and crumbling dike. The breach will be made some day, and the tide will roll south-

ward." But Russia and Great Britain will, he thinks, make real attempts to set up a stronger government in Persia. "Direct backing by officials representing Great Britain and Russia will probably be deemed a necessity." And this necessity brings into view the second consideration. There must be some geographical line of division within which the support given to the Persian administrators by English and Russian officials can be respectively exercised. Russian support would naturally be chiefly exercised at Teheran, while British influence would find its most appropriate scope at Shiraz.

"The third principle is that the spheres of influence marked out in the Anglo-Russian Convention can no longer be rigidly observed. If Great Britain is to help a Persian administration to gain stability, her good offices must chiefly be tendered in the sphere hitherto regarded as neutral.

"The fourth principle is that substantial financial help must be given if Persia is to rebuild her ruined administrative system." [1]

From all this it is clear that the influence of the powers in Persia will not diminish in the near future.

The Conflict of Overseas Imperialism and Morals.

In defending Great Britain's course, Mr. Fraser claims that if his government did not remain in

[1] *Edinburgh Review*, October, 1912.

Persia, Russia would interpret the move as an invitation to herself to proceed to the shores of the gulf. The *entente* might then be broken and the approaches to India would no longer be safe. Moreover, Great Britain cannot be expected to resist Russia with force in Persia. Only Russia's forbearance keeps her within the northern sphere, for England could not concentrate a force against her there.

Sir Edward Grey's explanation of the position of the foreign office in Persia bears out several of these points. He said that British intervention (against Russia in Persia) must be based on British interests; that the British Government could not act as arbiter when disputes arose between other countries (Persia and Russia); that he did not wish to come to a more definite agreement with Russia for the purpose of resisting her encroachments, because "then indeed we should come nearer to the partition of the country."[1]

Gains from the Protectorate to the Financiers.

Early in 1912 the two powers sent a joint note to Persia, saying Russia would require the ex-Shah to leave Persia, provided Persia would grant him a pension and would grant amnesty to his followers. Great Britain and Russia would then agree to make Persia a loan of 100,000 pounds each for immediate expenses, which money was to be disbursed under the supervision of the treasurer-general, with the

[1] *International Year Book*, 1912. "Persia."

approval of the British and Russian legations. In return Persia was to conform to the Anglo-Russian Convention of 1907, recognize the rights of Great Britain and Russia in their respective spheres, reorganize her army to suit these powers, and dismiss the irregular troops from it. It was stated that the British loan was to be applied to the restoration of order on the southern trade routes. Persia accepted the loan on the conditions offered in March, 1912. Another joint loan was announced September 4, 1912.

The first elections to the Mejliss since December, 1911, were held in the autumn of 1913. The new ministry, formed in January, 1913, showed from the first that it was not disposed to resent foreign influence. In order to obtain financial assistance the government made important concessions to Russian and British interests. In February, 1913, the Persian Discount Bank (Russian) was authorized to construct a railway from Julfa to Tabriz, with a branch to Urmia, and to exploit mineral resources within a forty-mile zone on either side of the railway. Simultaneously it was announced that a British syndicate would construct a railway from Mohamerah, at the head of the Persian Gulf, to Khoremmabad. These announcements were immediately followed by the decision of the British and Russian Governments jointly to advance $2,000,000 to Persia, in addition to the special British advance of $500,000 for the gendarmeries at Fars. The Brit-

ish Government, to show its good-will, announced the withdrawal of its troops at Shiraz. But Russia remained in virtual possession of the northern provinces, with garrisons aggregating 17,500 men. The collection and expenditure of all revenue is under the supervision of a European treasurer-general.

The Persian question is rather more confused than other examples of overseas aggression. There are plausible grounds for English fears that Persia might fall under the control of a hostile power; that such a contingency would imperil her interests in Egypt and her free and unimpeded control of the water route to India and Australia, and that if she did not participate in the protectorate of Persia Russia would push her control to the Persian Gulf, and thus menace Great Britain at the Suez Canal on one side and India on the other.

To prevent this England joined in the partition of Persia. Her justification, if justification there can be, is that Russia would strangle Persia alone, and that was a greater calamity to the country than a joint participation in the process. And as a corollary to political intervention and an aid to interference the financier was invited in. Loans were made to Persia which justified participation in her internal affairs for the protection of the investor, which participation gave a legal sanction to the depredations and offered an entering wedge for further political aggression. In addition concessions

were granted for railroads, which had a strategical value and still further cemented Russian and British influence in their respective spheres.

The division of Persia practically closed the chapter of European aggression in the Mediterranean outside of Turkey and the Balkans. It began with the purchase of the Suez Canal shares by Disraeli in 1875, and the occupation of Egypt in 1882. The partition gave England all of the strategic points save Constantinople, including southern Persia, Egypt, and Gibraltar. France, England's ally, holds Algeria, Morocco, and Tunis, while Italy has Tripoli. The present war will settle the fate of the Balkans, and may leave the great powers facing one another for a subsequent conflict to determine the control of the Mediterranean, which two thousand years ago was the centre of the then European world.

CHAPTER XVI

GERMANY AND THE BAGDAD RAILWAY

THE Bagdad Railway incident figures more prominently in the present European war than is generally admitted. None of the great powers have ever made public the ulterior significance of the many moves in an international game of chess that has been going on for nearly twenty years. Probably they dare not. If all of the facts were known, it would discredit diplomatic honesty. It would also reflect on the patriotism of great financial houses that participated in the scheme, even against the interests of their own country and the policy of their governments. Least of all can Germany aver that the diplomatic activities of England, France, and Russia were a casus belli, for the ulterior plans of Germany were doubtless far different from her friendly assurances to the Porte, whose protector Germany undertook to become. For Germany had dreams of a greater empire, an empire comparable to that of Great Britain, an empire that would ultimately extend from the North Sea to the Persian Gulf. The first step to this empire was the Bagdad Railway.

Dreams of Empire.

For twenty years the Bagdad Railway has been the most splendid of all dreams of the German financier, of the German trader, and of the German militarist. It was a dream of really imperial proportions. This was the dream: beyond Austria, separated only by Roumania, Bulgaria, and Servia, was Turkey, with a population of 24,800,000. On the other side of the Bosporus was the hinterland of the Ottoman Empire, extending to the Persian Gulf, whose disintegration was only a matter of years. Here were millions of hard-working, industrious people, but little given to industry, who offered a market for German wares. Here were harbors and seaports, railroad and banking concessions, and mineral resources, all relatively easy of defense. But far and away most important of all, here was a wedge that would split the British Empire asunder. Here the work of centuries could be undone, and the British Empire be broken into helpless and dependent parts, an easy prey to ambitious German arms. Here were Egypt, southern Persia, and the Suez Canal, all under British control, within quick railway striking distance of Germany and Austria which, once occupied, would permanently end England's control of Oriental trade and afford quick and controlling access to India, Australia, the east coast of Africa, Hong-Kong, and the richest of British colonial possessions.

With Germany ascendant in Turkey, France

would be cut off from Russia. Russia's centuries-long ambition for the Bosporus and an outlet to the Mediterranean, with all-the-year-round seaports, would be permanently ended. Here was control of the Balkan states, unquestioned influence in Bulgaria, Roumania, and Servia, and a standing menace to Greece. Austria would be secure to pursue her ambitions in Macedonia, while the whole hinterland, running from Constantinople to the Persian Gulf, would be open to German control.

Here was the opportunity for an empire like that of Rome, extending from the North Sea and the Baltic to the Indian Ocean; an empire under easy control, relatively easily defended and rich in opportunities for exploitation. Turkey and her dependencies furnished the richest prize in the whole long history of colonial expansion. It was a dream like that of Alexander or Napoleon. And the dream was to be realized through the building of a great railroad system from Constantinople to the Persian Gulf; or, as the German imperialist saw it, from Hamburg to the Persian Gulf and on to India. Examine the map of Europe and Asia and see what it involved. It was worth any price to Germany to secure this prize. And in order to realize it, Christian Germany became the ally and protector of the Turk in Europe.

But the dream was balked by Great Britain. She prevented the completion of the railway and

erected another Gibraltar in the path of German advance, a Gibraltar that stood impregnable because of the British navy and British control of the Mediterranean.

And German imperialists, German financiers, German traders cannot forget. Lesser failures might be compensated for. The check to control of the Ottoman Empire, with all of its historical traditions and glories, cannot be easily forgiven. This as much as anything else explains the "hate" of England. This, with the Morocco incident, is largely responsible for the present European war.

The Beginning of German Influence in Turkey.

German capital had been invested in Turkey and the Near East for many years, particularly in the railroads built by Baron Hirsch in European Turkey, 1874–88, and lines in Anatolia built with the aid of German banks. German export companies in Turkey induced the capitalists to take greater notice of this field, and the railway concessionaires spent great sums for publicity. Baron Hirsch spent 101,800,000 francs for the advertisement of his Turkish lotteries. The two trips of the Kaiser to Turkey, in 1888 and 1898 respectively, were partly the result of the awakened interest of capital in Turkey, and partly the result of a dream of real dominion and a greater empire. The result of the second visit was the granting of the Bagdad Railway concession to a group of capitalists rallying

around the Deutsche Bank. The Bagdad Railway was the means of "peaceful penetration" into the politics and ultimate control of the foreign policy of the empire.

Railway building in Turkey had begun as early as 1888, the year of the Kaiser's first visit, when the first German company obtained the right to exploit the Haidar-Pasha-Ismidt Railway in Asia Minor, as well as concessions for 99 years for a railway from Ismidt to Angora. Thus the Anatolian Railway Company, with the Deutsche Bank as its backer, entered on the scene.[1]

Haidar-Pasha is on the Asiatic side of the Bosporus, and was the starting-point in Turkey for the great Bagdad arterial system from Constantinople to the Persian Gulf, and the creation of a through transportation system from the North Sea on to the Persian Gulf and India—a route over which the German merchant dreamed he would one day send his goods more cheaply and quickly than via the Suez Canal. The initial concession was followed by others. In 1893 a grant was secured for the extension of the road to Konia, and by 1896 the first 535 kilometres of the railway had been built.

The Entrance of Statecraft into Finance.

Finance having obtained a foothold, the bonds had to be cemented by statecraft and diplomacy.

[1] A. Geraud, *Nineteenth Century*, May, 1914.

In 1898 the Kaiser paid a second visit to Constantinople. Now began the realization of the "Drang nach Osten"; the dream of an Eastern Empire not only for commerce but for political domination as well. This dream has steadily occupied the mind of German diplomacy and German finance; it has involved endless negotiations and friction with other nations profoundly interested in this portion of Europe; a friction which has been complicated by the fact that the financiers of hostile nations were lured to co-operate with Germany by the colossal profits which the project promised. For England saw that the great railway would not only dump German goods into India cheaper than by way of the Suez Canal; it might also dump soldiers in spiked helmets into the most vulnerable parts of Britain's empire.

And all Europe was awake to the situation. The Cretan insurrection of 1897–8 was undoubtedly fanned by the European powers. It played a part in the game of intrigue. Each wanted a predominant interest in Crete, an island of great strategic value and possessing a fine harbor, large enough to hold 100 dreadnaughts. The pretext of the powers in intervening was their desire to rescue the island from Ottoman tyranny. Germany alone held aloof. The dream of the Kaiser was of far more importance than a share in the control of Crete. It involved the friendship of the Porte. Shut out of other sec-

tions of the globe, Asia Minor remained. It was the back door of the German Empire. Here was a sphere of influence worthy of some sacrifice. During the visit of William II to Constantinople in 1898 he proclaimed himself the eternal friend of the Caliph. For abstaining from meddling in Crete and for using his influence with the other powers to induce them to keep hands off, he received his reward in the shape of further concessions in Turkey in Asia. He was promised the concession for a railway from Konia to the Persian Gulf. The route of the proposed railway ran through the heart of Anatolia, over the Taurus Mountains to Adana, through southern Kurdistan, to Nineveh, and on to Bagdad. Thence the line was to continue southward via Babylon, Kerbela, and Basra to the terminus at the harbor of Koweit on the Persian Gulf. Koweit was the coveted prize. It was the outlet to the Far East.[1] The formal conventions with the Turkish Government were signed a few years later, in 1902 and 1903, and as the building of the road progressed new conventions were drawn up for financing the various sections and the revision of old grants.

Other Concessions.

Concessions for branch lines were also granted to Aleppo and Orfa, and from Bagdad to Khanikin on the Persian frontier, as well as other lines con-

[1] E. Alexander Powell, *Everybody's Magazine*, July, 1909.

necting the principal railway with the Mediterranean. Ottoman mileage guarantees amounting to about $5,000,000 per year were secured from Turkey. Other valuable concessions, given in perpetuity, were a tract of land 12.4 miles wide, lying on both sides of the road-bed (6.2 on each side) for a distance of 1,500 miles or 18,600 square miles in all, with the exclusive right to cultivate it, work the mines, etc., using all waters along the route for electric purposes. The right was also granted to build quays at Bagdad, Basra, and on the Persian Gulf. Mesopotamia, through which the road extends, has bituminous coal and petroleum fields of great value. This country, together with Anatolia and Syria, can produce as much wheat as Russia, while western Asia Minor can be made to produce vast supplies of cotton. The land is now barren only because of neglect. These are the supplies which Germany needs to be independent of other countries.

In November, 1907, the Anatolian Railway Company, a German corporation, entered into an agreement with the Turkish Government by which the company was to irrigate about 132,500 acres in the plain of Konia, in the centre of Asia Minor. The funds, amounting to about $4,000,000, were to be advanced by the company, which undertook to carry out the work in five years. Under the conventions of 1911, the company was permitted

to dig harbors and build quays at Bagdad, Alexandretta, and Bassora, and to establish a steamship service on the Tigris and Euphrates, and to carry on as much timber enterprise as it wished in the "neighboring forests." It was also given the right to provide stores and warehouses for its employees and for the public, with the proviso that 25 per cent. of the profits were to go to the Turkish Government. This company also secured the monopoly of the brick works in the regions traversed by its line.

Political Penetration.

Nothing is definitely stated in the conventions about colonization. It is true that in 1903 the directors of the company in a letter to the ministry of public works pledged themselves not to bring or plant foreign colonies in the neighborhood of the line.[1] Professor Delbrück also disclaimed any intention on the part of Germany to establish colonies in Turkey. "Those Germans who seek occupation outside the Fatherland," said Delbrück, "are all but exclusively members of the energetic upper classes and representatives of capital. . . . They are too few to become perilous to a foreign nationality."[2]

Official Germany asserted that it was interested in Asia Minor only as it offered new fields for trade

[1] A. Geraud, *Nineteenth Century*, May, 1914.
[2] H. F. B. Lynch, *Fortnightly Review*, March 1, 1911.

and investment, and that English and French capital had been invited to co-operate in building the Bagdad Railway. Since this was not forthcoming (for reasons that will be shown later) Baron von Schoen stated in the Reichstag, March, 1908:[1]

"We trust and believe that, in accordance with the predominant part which Germans have taken in initiating and financing the scheme, German influence will remain predominant in the enterprise. But all assertions which have been advanced with regard to German political schemes in connection with the railway or with reference to an alleged plan of German colonization in the districts through which it passes are pure inventions."

On the other hand, Von der Goltz Pasha stated that to the end of his reign Abdul Hamid was in favor of German colonization in Asia Minor. It is also known that the Kaiser sent an agent to the United States to investigate methods of colonization.

The Menace to Europe of German Control of the Bagdad Railway.

England, Russia, and France were greatly disturbed by the German project and the encroachments of German power in Asia Minor. Lord Fitzmaurice predicted in the House of Commons April 8, 1903:

"Bound up with the future of this railway there is probably the future political control of large

[1] Dawson, *Evolution of Modern Germany*, p. 346.

regions in Asia Minor, Mesopotamia, and the Persian Gulf." He declared further that the Bagdad Railway in German hands marked the end of Turkey's subjection to the nations of Europe. Another English leader, Mr. Gibson Bowles, declared in 1903 that the Bagdad Railway "was a political conspiracy directed against us."[1]

Pointing out the political consequences of Germany's predominant interest in the railway, H. F. B. Lynch writes:[2]

"The truth is that an enterprise of the proportion of the Bagdad Railway, with the numerous extensions provided for in the original concession, and with the rights granted to the company on either side of the line, must almost certainly, if undertaken by the subjects of a single power, lead up to a protectorate. . . . Even if Germany were prepared for such a consummation it would be interesting to know whether her statesmen have fully considered its inevitable sequel and result. Russia would feel constrained to occupy Persia, and the Persian markets would be closed to German commerce."

Speaking of German influence in Constantinople, the same writer says a reliable report from that city describes it as follows, in 1905: "The Grand Vizier is regarded here as a dragoman of the German embassy. Whenever the Grand Vizier is in difficulties he goes to the ambassador for advice."

[1] A. Geraud, "New German Empire," *Nineteenth Century*, May, 1914.

[2] *Fortnightly Review*, May 1, 1911.

The Menace to Egypt and British Ambitions.

Under the conventions of 1911, the German company secured from the Porte the exclusive monopoly over two new arteries, namely the branch line to Alexandretta on the Mediterranean coast and another branch, leaving the main line at Killis to connect at Aleppo with the Damascus Railroad. This branch in particular caused concern among the English statesmen because they believed it was aimed at Egypt. The Germans made no secret of the political importance they attached to the road. Professor Rohrbach says frankly: "Egypt is the most vulnerable point in the British Empire."

In addition to the menace to the empire, the completion of the Bagdad Railway and the ascendancy of Germany in Asia Minor threatened other plans of the English imperialist and financier. One was a project to connect Egypt with Persia through southern Arabia. The other was to colonize southern Mesopotamia with Egyptian peasants, preparatory to its annexation.

Only less important to the British trading classes was the opening of a competing rail route to the Orient, a route that was quicker than the Mediterranean and the Suez Canal and that placed the manufacturers of Germany and Europe on a plane of equality, if not supremacy, with those of Great Britain. The merchant marine of England was threatened as well as her supremacy of the trade of

the East. The Bagdad Railway was a menace to the economic as well as the political life of the British Empire. It was a menace to all classes.

Russia, too, was irritated by the German advance into Asia Minor. As compensation she exacted from the Turkish Government the promise that all railroads around the Black Sea should be built only by Russians or by the Turks themselves. Russia also persuaded France to bar the Bagdad Railway quotations from the bourse, a step which would indirectly boost the Russian borrowing power in France and at the same time seriously cripple the financing of the Bagdad Railway. For Germany had to rely on foreign capital in carrying forward the project. Germany needed her surplus capital at home for the development of domestic industry. For this reason she was compelled against her will to go to France and England for aid.

France, too, was inimical to the project. Her trade with Turkey was small and had grown but 1,000,000 marks from 1901 to 1905, although she had invested during that time 2,000,000,000 marks in Turkey, as against 300,000,000 to 500,000,000 marks of German capital. And the French Government protested against French capital being invested in the railway. Despite official opposition, however, immense sums were invested by the French bankers in the railway, and in 1912 from 30 to 40 per cent. of the interest in it was held in France. The banks

were unable to resist the temptation. Prospective profits were stronger than patriotism.

Abdul Hamid, the Sultan of Turkey, favored the railway because it would strengthen his authority over the lands in Mesopotamia and Babylonia, which were now given over to robbers and bandits. He could not, however, build the railway himself because of financial difficulties, and for this reason passed it into the hands of German capitalists, subjects of the nation most interested in postponing the disintegration of Turkey, and willing to become a protector of the Ottoman in Europe.

Opposition of the Powers.

The hostility of the other nations retarded the construction of the railway. In 1906 the powers refused to give their consent to the increase of the Turkish tariff, unless the increased revenue were used for reforms in Macedonia. By this refusal the hostile powers thought they would thwart the project, as the German financiers either would not, or could not, proceed with the railway without the Turkish mileage guarantee. At the same time by this arrangement the other powers were able to pose as the friends of the Balkan peoples.

Germany had to acquiesce in this veto of the powers, although in the provision just made with the Porte it had been definitely assured that the increases of the tariff would go to the credit of the railway. The German Government and the German

financiers were complacent because they were unwilling to put any additional difficulties in the way of Turkey with regard to the railroad, and because they were assured that Turkey would be able to raise the money for the guarantees by other means. Through the unification of a previous series of loans Turkey made some economies, which she turned over to the Bagdad Railway, even against the wishes of the powers. Nevertheless, the bickerings over the increase in the tariff and the guarantees held up the Bagdad project for several years.

International Trading at the Expense of Turkey.

The Young Turk party, which leaned toward England, came into power soon after. But the menace to Turkey through Russia in Persia had a counteracting effect in favor of Germany. A section of the road was opened to traffic in 1904. In 1909 the building of the main line was continued. England now desired to participate on her own account. She wanted to build a road from Adana along the Gulf of Alexandretta, which would have been a profitable line. This concession, however, Turkey refused to make. Russia had troubles at home and Turkey was gaining in strength, both of which facts served the purpose of Germany.

Negotiations continued. An agreement was signed with Russia at Potsdam, in 1911, under the terms of which Russia promised to put no obstacles in the way of the Bagdad Railway. She even gave her

consent to the German plan of building a branch line to the Persian border at Khanikin. This line would not only be profitable because of the passenger traffic of Persian pilgrims to the holy place at Kerbela, it would open the Persian markets up to Germany. As a result of the changed attitude on the part of Russia, Turkey granted definite concessions for the remaining 1,435 kilometres of the line from El Helif to Bagdad. The question of the building of the last 650 kilometres to the Persian Gulf was now also raised. How was this last stretch of the line to the Persian Gulf to be constructed without antagonizing England? For England's chief apprehension was as to the eastern outlet on the Persian Gulf. This objection was never overcome.

All Europe appreciated the political significance of the Bagdad Railway. It not only gave Germany a favored place in Turkey, it not only opened up concessions in trading opportunities of great value, it made her dominant in Turkey when the final disintegration should come. It also gave an approach to England's most vulnerable point—Egypt and the Suez Canal. A strong Turkish army with railroads at its disposal could work havoc with the British Empire in the Near and Far East. And such havoc was frankly acknowledged by Germans like Professor Rohrbach. England fully appreciated the menace. She desired financial control and man-

agement of the last section of the railroad, that which ended at the Persian Gulf at Koweit. On the other hand, the Turkish Government was willing to see this section internationalized.

Negotiations of the Powers.

Germany has always invited foreign capital to participate in the Bagdad Railway, but German control was always insisted upon. Despite the profits offered, sufficient foreign capital was not forthcoming. In 1899 representatives of the Deutsche Bank, Herren Gwinner, Siemens, and Huguenin, came to an understanding with the chiefs of the three principal groups of French financiers in Asia Minor—the Banque Imperial Ottoman, the Compagnie de Chemin de Fer Smyrne-Cassaba, and the Régie Générale des Travaux Publiques. French capital was needed to finance the undertaking, which promised 40 per cent. dividends to the promoters and investors.

Under the terms of the concessions the railway company was nominally Turkish. It was to be managed by an administrative council of 27 members, of which 8 were to be Frenchmen, 4 Turks, 11 Germans, 3 of whom were delegates of the Anatolia Railway Company, the prime mover in the affair. The company proclaimed itself to be international, but the projected arrangements were merely a mask for opening the financial markets of Europe to the enterprise, which was really under German control.

All of the other directors were sleeping partners. The Germans used their influence with the Turkish Government to thwart an alternative English plan for a railroad from Konia to Alexandretta and along the coast. English capitalists wanted to build the road without a Turkish guarantee, and the Germans used this fact as an argument against the English, persuading the Porte that this would make the road too independent of Turkish influence. Stories were also spread about English ambitions in Mesopotamia, with the result that the English scheme fell through and the field was left to the Germans. Endless negotiations took place, and for many years, up to 1913, in fact, the Germans continued to invite foreign capital to co-operate in the railway, on the plea that the railway was wholly non-political and was open to all. At home, however, a different tone was adopted. There the determination was that the direction must remain exclusively in German hands.

French and English Opposition.

Despite the assurances of Germany and the immense amount of French capital invested in the railway, France continued hostile to the enterprise. Delcassé insisted in the Chamber of Deputies in March, 1902, that "The French element in the construction, exploitation, and management of the enterprise shall be given a share absolutely equal to that of the most favored foreign element, and the Rus-

sian element shall have full power to enter the definitive company which is to be formed."

At the same time Lord Lansdowne announced (March, 1902): "We cannot view the enterprise with a favorable eye unless English interests and English capital are placed upon a footing of equality with the interests and capital of the most favored nation."[1]

But French and English diplomats failed to secure an equal footing in the administration. As a means of reprisal England and France aimed to create a "vacuum of capital" around the project. It was their belief that the enterprise would fail if outside capital could not be found, and that ultimately the Germans would be glad to admit French and English participation into the control rather than allow this to happen. But the French Government was unable wholly to boycott the project or to insist upon the conditions suggested by Delcassé. Even though the Bagdad Railway shares were not quoted on the bourse, French money flowed into the enterprise through Swiss, German, and Austrian bankers. French financiers, in fact, had on hand up to September, 1913, Bagdad bonds on which they had advanced 90,000,000 marks.

Financial Difficulties.

By reason of the Anglo-French opposition to its

[1] A. Geraud, "A New German Empire," *Nineteenth Century*, May, 1914.

financing, the building of the road progressed slowly up to 1913. The difficult second section over the Taurus Mountains was held up for a long time. The estimated cost of part of this section, extending from Eregli to Elii, was $45,000,000. To insure the payment of Turkey's guarantees on the section, Germany wanted the Turkish customs duties raised 4 per cent. But for this they were unable to secure French and English consent until 1913. This was but one in a series of moves directed by Sir Edward Grey against the enterprise.

The Turkish treasury had very limited resources, and Germany had but little superfluous capital for outside investments. When the German manufacturer has a prosperous year he usually devotes the profits to enlarging his plant, often with the aid of French money. In the same way the peasant uses his profits to increase his acreage, while the government puts its surplus into a larger navy. France, on the other hand, has large savings to invest in foreign enterprises, and immense sums have been poured into the Near East, into Turkey, and the Balkans in recent years.

The Turkish guarantees and annuities amounted to 15,500 francs per kilometre, and the annual charges of the Bagdad Railway, so far as Turkey is concerned, would have represented 35,000,000 francs when the line was completed, according to estimates made in 1914. But the problem which

the railway company had to face was that of securing the necessary capital to complete the road.

Great Britain's Final Stroke.

Having failed in her plan of joint control and of internationalization, Great Britain adopted other tactics, namely "compensations." In the first place she determined that Germany should not reach the Persian Gulf under any circumstances. This was the constant aim of all her efforts. To accomplish this, British statesmen saw that they would have to secure control of Turkish territory bordering on the Persian Gulf. This was accordingly done. As early as 1899 an agent of the British Government called upon the Sheik of Koweit and made a treaty with him. Whatever the negotiations were or the terms of the treaty, the result was that the Sheik disavowed allegiance to the Sultan and accepted British protection. Then the British foreign office informed the German Government that the Bagdad Railway could not be extended to the gulf through Koweit unless the line was internationalized, with half the control in English hands.

This meant the abandonment of the German dream of German control of Asia Minor. It meant an end to the "Drang nach Osten" of a through route to the Far East. And Germany would not consent to the British demand after having spent so much effort in securing the advantages of the enterprise to herself.

England's protectorate over Koweit was not finally recognized by Germany until 1913, but it was an established fact for several years previous. This closed the German outlet to the Persian Gulf, for it gave Great Britain a control of the eastern terminus of the line.

Great Britain sought other compensations. One was a concession for the construction of railroads both in Asiatic Turkey and in Persia, with a view of re-establishing the equilibrium destroyed by the Bagdad Railway. She also encouraged the building by Russia of a line from Teheran, Persia, to Khanikin, on the Persian frontier, as well as other Russian lines in the northeastern portion of Asia Minor.

The Russian Government finally recognized German control over the Bagdad Railway in an agreement at Potsdam, in 1911. Great Britain and France also entered into agreements with Germany, negotiations being completed in 1913, after which the construction of the road proceeded rapidly. According to the Franco-German agreement, the Ottoman Bank was to hand over to the Deutsche Bank its financial interest in the Bagdad Railway. The Deutsche Bank, in turn, was to buy this stock and to renounce, in favor of interested French parties, other railway concessions on the Black Sea coast and in Syria. By these arrangements Germany obtained absolute liberty of action in the Bagdad Rail-

way, and France secured similar freedom in other regions. The Franco-Turkish agreement gave France the right to construct railways in Armenia and a line from Trebizond to Sivas and other lines. France in return promised to support the issue of a Turkish loan of 700,000,000 francs in France and to consent, if the other powers would agree to it, to a 4-per-cent. customs increase in Turkey and an income tax upon foreigners resident there.

French interests in Turkey were already large. At the end of 1913, said M. Doumergue, the French premier, French interests in Turkey amounted to almost 3,000,000,000 francs, almost wholly in Ottoman Government bonds.

In the summer of 1913 the British protectorate over Koweit was recognized by Germany.

Of course, all these agreements, involving "territorial zones" and spheres of influence, tend to the ultimate disintegration of Turkey. France had established her interests in Syria, and Germany in Anatolia. Austria also entered the lists and demanded her share, while Italy was willing to take any concessions she could get.

Following the agreements of France, England, and Russia with Germany and Turkey, the Bagdad line progressed rapidly. On all of the sections from Adana to Bagdad work was carried on simultaneously. Only about 100 kilometres of this portion of the road remained to be constructed in May,

1914. By that time the line had already crossed the Euphrates on a temporary bridge and extended 40 kilometres farther. It was calculated that trains would run through to Bagdad early in 1917.

After fifteen years of conflict the various interests finally succeeded in working out a kind of balance of power in Turkey and Asia Minor. Germany secured the lion's share. France had protected her investments. Great Britain controlled the eastern terminus on the Persian Gulf. All of the great powers had secured valuable concessions. But in these agreements and concessions new causes for controversy had been created. German political dreams remained unsatisfied. England was still menaced in Egypt, the Suez Canal, and the Far East. Russian, English, and German interests were more or less in conflict. The international agreements had patched up a truce. They had probably laid the foundations of difficulties which would have continued to menace the peace of Europe, even had the European war not intervened.

The Bagdad Railway project, like the activities of the investors in Egypt, Morocco, China, and Persia, is a merging of finance and foreign politics, in which national security and the people are played with as pawns in the interest of the financiers and business interests. The peace of Europe was in constant jeopardy, the integrity of Turkey was a matter of indifference, and the balance of power was in

constant peril. The bankers and investors carried through their plans with little concern for the deeper consequences of their acts, and often against the manifest interests of their own people. Visions of colossal profits were too alluring for financiers to resist, and even the foreign office seems at times to have fallen in with the investors' desires. As a consequence of the concessions made and the alliances forced, Turkey has been drawn into the war. Her existence is threatened as a nation, while the investments of the warring nations are for the time being valueless.

CHAPTER XVII

THE STRUGGLE FOR THE MEDITERRANEAN

INDISTINGUISHABLY interwoven with the financial activities and diplomatic moves of the European powers, described in the preceding chapters, is the struggle of the greater powers for access to, free passage through, or control of the Mediterranean. The struggle is partly political, partly financial, and partly commercial. It comes nearer to being a legitimate cause of war than any other single incident in the present European war. For it is part of the doctrine of the freedom of the seas. Moreover, it vitally affects the industrial and commercial life of all of the greater powers as well as the Balkan states. The struggle had its beginning in the purchase of a controlling interest in the Suez Canal by Great Britain in 1875.

All of the great powers have a vital interest in the Mediterranean. For a generation its control has been the constant object of British foreign policy. It is a policy concurred in by all parties. Control of the Mediterranean explains the aggressive diplomatic support to France in the Morocco incident, which nearly precipitated war with Ger-

many; it explains the ceaseless efforts of the British foreign office to block the building of the Bagdad Railway and German entrance into Asia Minor; it explains British fears of Russia and the many moves to prevent the expulsion of the Turk from Europe. The participation of Great Britain in the partition of Persia by which Russia was excluded from access to the Persian Gulf was actuated by the same policy as was, in part, the *entente* with France and the action of Great Britain in the settlement of the disputes of the Balkan states. Control of the Mediterranean has been the motive of British diplomacy for the greater part of a generation; for the Mediterranean is the life-cord of her empire.

The Mediterranean a British Sea.

The Mediterranean is in effect a British sea. This is secured through the command of the western and eastern entrances at Gibraltar and the Suez Canal. The fortresses at Gibraltar are impregnable. The great guns command the narrow straits through which all commerce to and from the Atlantic must pass, as completely as the entrance to a harbor. This with the Suez Canal gives Great Britain control of the Mediterranean, which is the greatest trade route of the world. It enables her to menace the commerce of all European countries and to close the door at will upon all ships passing through it to the outside world. By reason of this fact all of the Mediterranean states are under the

potential control of Great Britain. This is one of Germany's complaints, for so long as Great Britain controls the gateways and trade routes to the Orient the commerce of other nations is not really free.

To her statesmen and trading classes control of the Mediterranean seems vital to the existence of the empire. For this is the trade route to Egypt, India, Australia, the Chinese ports, and the east coast of Africa, the richest of the British colonial possessions. It is the link that unites these colonies with the mother country. Anything which imperils this connection and the free passage of ships of war, of food, of raw materials, or the distribution of merchandise strikes at the life of the empire. The maintenance of this route, free and unimpeded by any hostile power, is as essential to the life of the British Empire as is the control of her island waterways.

Mediterranean Spheres of Influence.

At the outbreak of the war certain well-defined spheres of influence had come to be recognized about the Mediterranean. France was ascendant in Morocco, Algeria, and Tunis, which included the whole of northwest Africa, bordering on the Mediterranean and the Atlantic Ocean. Italian interests were recognized in Tripoli and those of Germany in Turkey and Asia Minor. Persia had been partitioned between Russia and Great Britain, while

the Balkan states were the prey of all the powers, particularly of Austria and Russia. Great Britain controlled Egypt and the Strait of Gibraltar, which commanded both entrances to the Mediterranean.

The fact that the Mediterranean is not an open sea, a free highway to all nations, is a standing irritation to all the powers. And access to it or passage through it is the objective of their efforts. The commercial and industrial life of Austria, Russia, Italy, and the Balkans is dependent on their ability to reach the sea, first, by access to a port on the Mediterranean, and, second, through the Strait of Gibraltar and the Suez Canal.

While the territory of Germany does not border upon the Mediterranean, her trade and commerce passes through it. And Germany is England's growing rival in the trade of the Orient. Prior to the war her merchant marine was rapidly crowding the Union Jack from Oriental ports; her goods and merchandise were finding their way into every shop from Gibraltar to Tokio. For years Germany has been crowding England as a trade competitor and "Made in Germany" had become a nightmare to the British nation, accustomed for fifty years to a monopoly of the trade and shipping of the world. Belief in her supremacy had become a national conviction, and a challenge of her monopoly by a nation which but a generation before was an inconspicuous peasant state could not be easily

tolerated. This challenge irritated her ship owners, her financiers, her great manufacturers of Manchester, Birmingham, Leeds, Sheffield, and Lancashire. And when Germany entered on a programme of naval construction to enforce her claims for the freedom of the seas and the right to trade where she willed, unfettered by British possession of strategic points of the earth's surface, British opinion took exception still further. She tightened her hold on the Mediterranean at Morocco and in Persia. She entered into an alliance with France, the second great power on the Mediterranean, as well as with Russia, for the control of the eastern end of the sea. Finally she executed a flank attack on Germany and blocked the completion of the Bagdad Railway by assuming a protectorate over Koweit, the eastern terminus of the projected railway to the Persian Gulf. The action of Italy in throwing in her cause with the allies strengthened the position of Great Britain, as did the alliance with Russia. Greece was coerced into permitting a landing of troops by the allies by reason of the pressure which Great Britain was able to bring to bear on the trade and commerce of that country.

Germany's Complaint.

This is the substance of Germany's complaint. She insists that Great Britain has erected Gibraltars before her advance—Gibraltars which stand as a menace to German trade, to the German mer-

chant marine, to the natural expansion of the German Empire. These Gibraltars are found not only at the entrances of the Mediterranean; they are found in the West and East Indies, all about Africa, in the Pacific Seas, and in the harbors along the Chinese coast. Steps taken by Germany for the widening of her markets and the expansion of her spheres of influence have been met by the closed door, by diplomatic activities, and by a show of teeth on the part of the British Lion that have either checkmated her ambition or compelled a withdrawal of her claims.

And the demand for a place in the sun is an expression of a profound conviction on the part of the German people. German officials and German industrial classes contend that the very necessities of German existence demand opportunities for trade and development, and that this is a right to which her achievements entitle her. Freedom of the seas, freedom especially in the great inland Mediterranean Sea, is one of her most insistent demands. Germany does not pretend that her ambitions are of a higher order than those of Great Britain. She, too, desires markets, concessions, participation in loans, and a share of control of the trade of the world. And the seas are the only routes for such participation, which routes, however, have been fortified by prior occupation on the part of England.

This led Germany to the *Drang nach Osten*, the only avenue open to her to the Mediterranean and the Indian Sea. It was a route by rail, easily connected and easily defended; it was a route which tapped the Mediterranean in Turkey and the Balkans, from Asia Minor and the Euphrates valley. It was a route which included harbors that could be easily fortified on the eastern shores of the Mediterranean, and it was a route which opened up the whole of the Orient to the rapidly expanding trade of Germany. In this drive was the possibility of a greater German Empire extending from the North Sea to the Persian Gulf, for an empire comparable to that of Rome in the days of Trajan, when the Roman Empire included all of the territory now marked out for German influence under the Bagdad Railway concessions. It was an empire comparatively easy of defense by reason of its geographical position, its separation from Russia by the Black Sea, and the impregnable position of Constantinople at the Dardanelles.

Unstable Equilibrium.

Such was the *status quo* at the outbreak of the war. But the *status quo* was very unstable. It could not be otherwise so long as Great Britain and Germany faced one another with irreconcilable ambitions. It was liable to be upset at the slightest provocation. It was a mine likely to be set off at the lightest touch. It was a tinder-box of high

explosives which a careless word, an irresponsible speech, a reckless act might ignite.

Other states were also in a state of tension. The German *Drang nach Osten* also meant an end to the centuries-long ambitions of the Romanoffs for the Dardanelles and an all-the-year-round port at Constantinople through which Russian wheat could find an outlet to the world. In addition—and this is a factor of tremendous importance—the whole financial foundation of England was in peril, as were hundreds of millions of dollars invested in shipping which might be scrapped by the construction of the Bagdad Railway. British trade and British industry were under a similar menace, for German industrial efficiency and trade methods, aided by a cheap and rapid all-rail route to the Indian Ocean, would place the British merchant at a disadvantage in his best markets. *Der Drang nach Osten* was a drive at the very existence of Great Britain. It threatened not only her empire, it threatened her commercial supremacy as well.

For several years preceding the outbreak of the war Great Britain and Germany had been in a state of nervous apprehension. Great Britain watched every move by Germany, while Germany chafed in the belief that, were she permitted to open a highway of her own, her perfected agencies of foreign trade would enable her to supplant Great

Britain as mistress of the seas and assume a position of supremacy in the trade of the East.

The Limits of Diplomacy.

In matters involving their existence nations dare not trust one another. The traditions of diplomacy do not encourage trust or confidence. And no assurances that Germany could give would have quieted English fears; certainly they did not satisfy the present Liberal ministry or Sir Edward Grey. And Great Britain played her cards rather boldly to prevent the German advance to the East and to minimize her influence in the Mediterranean. By so doing she placed in the hands of German imperialists apparent evidence that wherever Germany turned there she was confronted by British Gibraltars and British diplomacy, backed by a British fleet that blocked her from a place in the sun or any participation in the deliberations of the powers as to the political, financial, and industrial destinies of the dependent peoples of the world.

The fact that Great Britain desired peace and was willing to go to the limits of diplomacy to secure it did not relieve the situation, for from the German view-point diplomacy had failed or had resulted in the defeat of German claims. It left England in possession of all of the most valuable colonies and trading-posts as well as the strategic spots on the earth's surface. Germany had been outplayed in Morocco; she had been excluded from Persia;

she had been blocked in her ambitions in Asia Minor and the Near East. England, France, and Russia encircled her and overpowered her in the diplomatic conventions and agreements. Each year saw some part of the earth's surface pass under the control of one of the allied powers or closed to her trade by preferential tariffs. None of these individual acts was in itself a cause of war, but taken collectively they boded economic as well as political isolation in the future. They were a silent and increasing menace to her industrial and commercial position.

This is the German complaint. It is shared in by all classes. The checks to German advance have irritated not only the financiers and traders, they have irritated the people as well. And if we knew all of the facts and could analyze the psychology of the people we should probably find that the struggle for the Mediterranean and freedom of the seas is one of the most important causes underlying the present European war. The struggle might have been avoided if the sea were recognized as a free highway open to all on equal terms, so that the trade and commerce of the world might flow free and unimpeded by barriers, fortifications, or national ownership of connecting canals, waterways, or strategically located passageways like Gibraltar, the Dardanelles, the Suez and Panama Canals, all of which enable the nation which controls them to threaten the trade and free development of all other

nations. But this involved a harmony of interests and concessions, as well as an abandonment of privileges and advantages, on the part of chancelleries, financiers, and trading classes that with no popular control over foreign affairs and no knowledge of conditions making for trouble was impossible.

CHAPTER XVIII

CHINA AND THE CHINESE LOAN

CHINA is outside of the sphere of greatest interest to the European powers, which is about the Mediterranean and the Near East, in Turkey, the Balkans, and Persia. The struggle for spheres of influence and protectorates about the Mediterranean is justified by some by reasons of national safety. Here Great Britain, Russia, and Germany face one another in a state of nervous apprehension. Each seems a menace to the existence or future destiny of the other. To Great Britain the route to Egypt, India, Australia, and the Far East must be unhindered by any other power; to Russia the territory to the south and east is necessary to her growth and expansion; while to Germany, Turkey, and Asia Minor remain the only pathways to imperial expansion. Here is an international *impasse*. To the imperialist who thinks in terms of national destiny, the conflict of interests is irreconcilable. It is like that of Rome and Carthage.

No such problems of safety confuse the Far Eastern question. China, like South Africa and Mexico, has been merely the spoils of the concession seeker

and the trader. Here British influences had long been paramount, but they were not exclusive; and they were founded on force. And for years the eyes of the financiers and concession seekers of all Europe have been fixed on China, waiting for some accident or revolution to justify spoliation. The Chinese-Japanese War of 1894–5 seemed to offer the opportunity. Following it, Manchuria and the Kwangtung Peninsula, Wei-hai-wei, Kowloon, Kwang-chow-wan, and Kiaochow were seized by Russia, England, France, and Germany.

The year 1898 was rich in concessions to the powers. Then began the scramble of the financiers and the jealousies among the European banks. The new imperialism of finance dates from about this period. In each country there was a favored bank or group of banks which, in its hunt for monopolies in Chinese territory enjoyed the special protection of its home government. Finally in 1909, after much friction, a syndicate of English, German, and French banks was formed to act as a unit in all loans and railway matters.

American financiers had long been active in China also. In 1898 a Chinese company, owning a concession to build a railway from Hankow to Canton, concluded a contract with the China Development Company, an organization of American capitalists, by which the American company was to raise $20,000,000 for purposes of construction. In 1904 more

than half the shares in this company passed, indirectly, into the hands of J. P. Morgan & Company. A year previous that bank had received a promise from Prince Ching, the Chinese regent, that it would be admitted on equal terms with the English in the construction of the Hankow-Szechuan Railroad, a promise which was confirmed in 1909 and which served as the basis on which the American syndicate was admitted, in 1910, into the international syndicate.

The American syndicate undoubtedly had some sort of encouragement from the Taft administration. J. P. Morgan & Company emphasized this point later in a statement made by that firm on behalf of the American syndicate, after the Wilson administration had suggested the withdrawal of the latter from the sextuple loan. Mr. Morgan said, in effect, that the American financiers had originally joined the syndicate at the solicitation of the State Department. This was in general harmony with the policies of the State Department during that period of our foreign policy. After the Chinese revolution, Russia and Japan forced their way into the international syndicate, which was now known as the six-power group.

Chinese Financial Needs an Excuse for Political Dominion.

Chinese finances were in a chaotic condition. There seemed to be danger that the annual charges

of $42,500,000 on the foreign debt would not be met. Indemnity payments were in arrears to the extent of some $15,000,000.[1] Besides, the new Chinese Government needed large sums for administrative purposes, for the army, for payment on republican bonds, etc. Sweeping reforms were needed to establish a balance between revenue and expenditure. To safeguard the proposed new loans, therefore, the sextuple group, referred to above, was formed in February, 1912, consisting of American, English, French, German, Russian, and Japanese banking-houses. The powers represented in the group had each agreed to make no loan without the consent of the others. There was a complete financial understanding or monopoly. And the demands of the syndicate upon the Chinese Government in return for loans were most exorbitant, owing in part to the claims of Russia and Japan, which were in a measure political, and in part to the urgency of China's need for funds.

China needed only $30,000,000. The syndicate, however, insisted in 1912 on a loan of $300,000,000, with the stipulation that the expenditure of the loan and the administration of the salt monopoly, by which it was to be guaranteed, should be placed under European control. This struck at the administrative integrity of China. It was as a protest against these conditions that the United States Gov-

[1] *International Year Book*, 1913.

ernment suggested, in March, 1913, that the American bankers should withdraw from the agreement. President Wilson is reported to have said: "The administration does not approve the conditions of the loan, which touch very nearly the administrative independence of China." This government would encourage no meddling of American capital in the domestic affairs of China, a procedure which, in the case of Egypt and Morocco, ultimately brought about protectorates in those countries. But President Wilson's act is by no means to be interpreted as an embargo on American capital, to keep away from China. It was merely a protest against the terms of the six-power loan which threatened China's independence and whose monopolistic powers were a menace to her political integrity.

Chinese Efforts at Financial Freedom.

The Chinese Government objected strenuously to the conditions of the loan and turned for help to independent bankers who were not included in the various national syndicates, of which the international syndicate was composed. It succeeded in securing small amounts from certain independent bankers, mainly English and German houses, but the help received was not of material value. When the English firm of C. Birch Crisp & Company, of London, attempted to raise a Chinese loan of $50,000,000 it met with determined opposition from the English foreign office, which insisted on the mo-

nopoly rights of the Hong-Kong and Shanghai Bank. Nevertheless, the help received from these independent sources, although intrinsically little, had an influence on the international syndicate. It no longer insisted on the exorbitant loan of $300,000,000, but reduced its demands to $125,000,000, which was the amount of the loan finally agreed upon, April 26, 1913, by the international group, which had now become, by reason of the American withdrawal, the five-power group. Moreover, instead of an absolute control by European agents of both the expenditure of the loan and the salt monopoly, it was now proposed to control the expenditure of the money advanced by a Chinese commission with European advisers, acting as the employees of the Chinese Government and to administer the salt monopoly by European officials in the service of the Chinese Government. Sir Richard Dane (British) was placed in charge of the salt monopoly (or gabelle); M. Padoux (French) and M. Konavaloff (Russian) in charge of the audit department; and Herr Rump (German) of the loan department. Dane successfully reorganized the salt gabelle, so that it yielded $3,000,000 a month, on the basis of which the syndicate was anxious to lend China another $125,000,000.

On September 29, 1913, the English Government announced that Great Britain had withdrawn from the five-power group. But the object of the inter-

national agreement had been achieved. China was saddled with foreign "advisers." The powers now declared each government would be free to negotiate "non-political loans" and obtain industrial concessions for its own banks.

CHAPTER XIX

GERMAN IMPERIALISM AND THE TRADING COLONIES

A FEW years ago Count von Bernstorff, the German ambassador to the United States, stated the cause underlying Germany's colonial policy, and his words may be accepted as a reflection of the official view. German colonies, he said, are for trade and emigration ultimately. "We must secure new markets for raw materials. If the German foreign policy continues to be determined according to the requirements of trade and industry, and if at the same time our social legislation, which guarantees the physical health of our industrial population, is further developed, Germany will for a long time to come have room not only for its existing population but for the yearly increase of a million inhabitants."[1]

Overseas trade, rather than financial exploitation, has been the chief motive of German colonial policy. There are partial exceptions in Turkey, where the question is confused by the desire for political expansion. Germany wants markets for her factories rather than concessions for her financiers, because

[1] *Annals American Academy of Political and Social Science*, January, 1910.

Germany has not yet become a great investing country like England and France. She has need of her surplus capital at home. She did not become a great manufacturing country until recently; her industrial growth being coincident with the last quarter of a century. During these years she has built a great merchant marine, has rapidly expanded her foreign trade, and has made her way into the markets of the world. Internal needs have taxed her financial resources to the limit. The banks were unable to finance the Bagdad Railway without the aid of foreign investors. Loans have been made in China, but these were largely for the purpose of securing "spheres of influence," raw materials, and an opportunity for trade, rather than for financial exploitation. That financial imperialism would follow with the growth of surplus capital at home, there is no doubt; that her bankers have participated in the greedy division of territory is unquestioned; but the main motive of German imperialism, for a "place in the sun," has been the desire for markets and the hope of securing German sources of raw materials for her mills and factories. The main exception to this policy is in Turkey, where political, financial, and trading ambitions have united in the foreign policy.

The Beginning of German Imperialism.

German colonial expansion began with the founding of informal trading settlements in the Pacific

and the South Seas during the 70's and early 80's. It was coincident with the new imperialism of England and France in Egypt and Morocco. Great Britain's annexation of the Fiji Islands in 1874 roused German resentment, for German trade had flourished there, but Germany was not yet ready to embark on a colonial policy of her own. Not till 1880 did the government recognize these trading outposts and give them any financial assistance. In that year, however, aid was granted to the German Commercial and Plantation Association of the Southern Seas, and at the same time Germany's connection with Samoa began. But no territory was formally annexed for several years to come.

In 1883 the first colonial society was formed—the Kolonial Verein. About a year previous the Bremen trader, Lüderitz, had made treaties with the native chiefs in the territory around the Bay of Angra Pequeña on the southwest coast of Africa. For a time nothing was done to confirm the treaties, although Lüderitz asked for the support of his government. Not until Lüderitz's claims were disputed by the agents of the British crown did his appeals arouse Bismarck. Negotiations ended when Bismarck flatly announced the annexation of Lüderitzland. This transaction gave to Germany the coastland extending from the Orange River to Cape Frio, exclusive of Walfish Bay.

The scramble for the division of Africa had al-

ready begun, although the best lands were already in the hands of Great Britain. France took Senegal and Sahara in 1880 and Tunis in 1881. Belgium secured the Congo Free State in 1883. Holland's colonies belong to an older era, as do Portugal's.

Bismarck's Colonial Policies.

Colonial expansion went on rapidly during the 80's. Disputes over land on the Cameroon River in the northwest of Africa were settled by Bismarck in the same manner as the disputes farther south. The German trading settlements on the north coast of New Guinea and in the New Britain Islands came under the German flag in 1884, the former being renamed Kaiser Wilhelm's Land, the latter the Bismarck Archipelago. In 1885 new territory was annexed in East Africa, with a wealthy company formed to develop it, and in the Pacific the Marshall Islands and part of the Solomon group were incorporated into the German Empire. All these places served as starting-points for expansion into the neighboring territory, with the result that in two years Germany found herself in possession of a colonial area of 377,000 square miles, nearly twice the size of the empire in Europe.[1] From 1884 to 1899 Germany brought under her sway in all parts of the globe 1,000,000 square miles of territory, almost all tropical, with an estimated population of 14,000,000.

[1] Dawson, *Evolution of Modern Germany*, p. 361.

Bismarck himself was not an enthusiastic expansionist. He realized that Germany could never have colonies like Canada and Australia to keep her youth from emigrating to America. Even as late as 1899 he declared himself a "no-colony man." And when he finally lent support to the policy of expansion it was only with the approval of the ruling element in the Reichstag. At the time when Germany's colonial expansion was beginning the majority of the Liberals in the Reichstag were opposed to it just as were the British Liberals in the middle of the century. Bismarck, therefore, deemed it necessary to ask the nation whether it agreed with their attitude.

Moreover, it was Bismarck's hope that, if colonization was decided upon, it should be in the form of trading-posts, to be administered by trading companies. "My aim is the governing merchant and not the governing bureaucrat in those regions," he said.

Public Support to Colonization.

The new elections returned a majority in favor of expansion. The Conservatives and the powerful Centre had been stanch supporters of the colonies from the beginning and always remained so. The Centre, representing the Catholic Church, declared itself in favor of colonization, because in its opinion colonization implied the advancement and spread of civilization. And indeed, it must be

said of the clerical party that it has always been ready to probe colonial scandals, of which there have been not a few, and to insist upon decent treatment of the natives. In a speech from the throne in 1888 the Reichstag was informed that it was the solemn duty of the empire "to win the Dark Continent for Christian civilization."[1] Meanwhile the Hereros in Southwest Africa have been decimated in their frequent conflicts with this Christian civilization. Doctor Dernburg, who became secretary for the colonies in 1907, has stated that in German East Africa laborers were being obtained under circumstances that could not be distinguished from slave hunts.

The Liberals, too, representing the commercial interests, soon became the supporters of colonies as trade outlets and particularly as new markets. Only the Radicals and Socialists remained, until recently, in opposition to the progamme of expansion. At a conference of Radicals in Wiesbaden in 1905 a resolution was adopted "against the continuance and extension of the present colonial policy." One of their leaders declared he would like to see an auction of Germany's colonies, if there were a chance that it would attract bidders.[2]

The fact was, the colonies had proved to be an enormous expense with but little return. One of the German governors, speaking of the African pos-

[1] Dawson, *idem*, pp. 370, 375. [2] *Idem*, p. 376.

sessions, said: "The fertile countries are unhealthy and the healthy colonies unfertile." Others besides the Radicals saw no use in the colonies. A certain "colony weariness" had spread through many classes. But the policy of colonization had advanced too far, and even the Radicals realized that the burden could not be laid down. With the beginning of Dernburg's incumbency of the office of colonial secretary the prospects improved. He saw much promise in Southwest Africa, always conceded to be the best of the African colonies, as an ultimate home for emigrants and a valuable market. Perhaps, after all, the millions poured into Africa would bring substantial returns. The fact that many Germans have died in colonial quarrels is an additional appeal to the nation's pride and determination to keep the colonies.

That the Germans have faith in the future possibilities of their African trade was shown in the terms of settlement after the Morocco dispute with France and the crisis of 1911. In that settlement Germany accepted three large tracts in Africa from the French, bordering her Cameroon territory; one along the Congo, one on the Ubangi River, its largest tributary, and one on the Atlantic coast. These would give her three new and valued trading stations in Africa in partial compensation for her claims in Morocco. In 1890 the Zanzibar treaty had been made with England, by the terms of which

England ceded Heligoland to Germany in exchange for territory in East Africa. Even the Socialists ceased to protest against expansion. They argued that if the Germans did not appropriate distant possessions others would do so and exploit the land and the natives upon it.

The Samoan Question of 1880.

When the Hamburg house of Godefroy, which had been trading in the South Seas and had owned plantations in Samoa, got into difficulties a new company was organized to take over its enterprises, but only on condition that it receive a guarantee from the government. Bismarck was willing to concede the request, in order "to save the German name." The Junkers were willing because the money would come out of the people's pocket. But the majority of the Reichstag—Centre, Independents, Social Democrats, and a part of the National Liberals were opposed. This was the famous "Samoan question," which inspired Bismarck's declaration to the effect that the government should go only so far in a colonial policy as public opinion approved. As a matter of fact, nothing was done in the direction of expansion for four years after this incident.

Development in South Africa.

In the meantime the Bremen firm of Lüderitz had established a trading station in Southwest Africa, and had obtained a promise of support

from the government in any treaties it might make with the native chiefs, if they did not violate the rights of the natives or of any other nation. Lüderitz thereupon negotiated a treaty with a native chief. When the English were asked if they had any claims to the territory, they answered that they did not exactly have sovereignty in these regions, but that they laid claim to all the land between Cape Colony and Portuguese Angola. It was this which roused Bismarck from his indifference to colonial interests. He considered the British claims unjustified and a menace to Germany's future expansion. The result was his telegram of April 24, 1884, to the German consul in Cape Colony confirming the Lüderitz treaty. The incident caused some excitement at the time in Cape Colony.

This first step was followed by others. Bismarck took advantage of German trading settlements in Cameroon and Togo. Here he no longer waited till the traders called upon the government for support in their treaties, but encouraged them to negotiate agreements with the natives. The German East African Trading Company, through the agency of Karl Peters, who had become familiar with English colonial policies in London, founded German East Africa through its treaties with the native chiefs. Similar developments took place in New Guinea, where the German Trade and Plantation Company, like the Lüderitz firm, was protected by Bismarck

against English opposition. For Bismarck had now gotten into the pace.

Colonial Administration.

Bismarck's original plan of leaving the administration of the colonies to the trading companies soon had to be abandoned. The German Southwest Africa Company, which was to govern that part of Africa and maintain a troop of soldiers for the purpose, grew tired of the expense, and the German Government had to step in. Risings of the natives were frequent and costly. In the same way the government was soon compelled to take over the administration of German East Africa.

The monopolies granted the trading companies were a further hindrance to the development of the colonies. A monopoly of the most accessible lands was granted to the German East Africa Company, even after the administration of the colony was taken out of its hands. Mining monopolies in Southwest Africa were granted to wealthy companies, and 32 per cent. of the land in that colony was allotted to five companies. This meant a tax on all colonists who settled in those lands, for the benefit of the Berlin banks behind the colonial companies. The African companies have never ceased clamoring for new railways.

The traders never succeeded as colonial administrators, and gradually the German bureaucratic system was introduced. The history of German

domination over the black race in her colonies has not been a bright one. Besides scandals, the Germans made mistakes arising from worthy motives. They tried to administer justice among the blacks in the same manner as with Germans. As Dernburg frankly said, they took too much system with them. "We have lost the sympathy of the black race," said the leader of the People's party in the Reichstag a few years ago. The decimation of the Herero population has already been referred to. Doctor Rohrbach, imperial commissioner for Southwest Africa, justified their treatment thus: [1]

"The Hereros have lost their land, which is now fiscal land, and is settled by whites. The cattle question is also solved. The whole of the live stock of the Hereros has been destroyed. There are hardly any cattle left. Yet that does not appear tragic when one remembers the wonderful fertility of the country."

Herr Schlettwein, who was called in a few years ago to instruct the members of the budget committee of the Reichstag on the principles of colonization, writes in a pamphlet, published in 1904:

"The Hereros must be compelled to work, and to work without compensation and in return for their food only. Forced labor for years is only a just punishment."

[1] Dawson, *idem*, p. 392.

CHAPTER XX

GERMANY AND THE FAR EAST

THE colonial policies of the European powers are in general a reflection of their foreign policies. Germany is arrayed against England, and England against Germany. France and England have in recent years acted in concert, while Japan and, to a considerable extent, Russia have played their hands alone. When no national policy is involved, as in the Chinese loan, the financiers are permitted to do pretty much as they please.

The German policy in the Far East, like that of the other powers, has been actuated by a desire for spheres of influence, for railway, mining, and trading concessions in China and the Pacific. In a wider sense it has been guided by antagonism to England and a desire to counteract the Franco-Russian Alliance. Bismarck sought to unite Russia and France in a naval demonstration against Japan when, after Japan had come out victorious in the war with China in 1894–5, she seemed to threaten too great demands upon, and too large concessions from, China. As a matter of fact, at that time all of the European powers had taken China's defeat as the

beginning of the dismemberment of the empire, and all of them desired to preserve the rich field from appropriation by Japan.

Conflict of the Powers.

Germany's ambition in the East had a financial and industrial as well as a political motive. China was a more tempting field for exploitation by concessionaires than Africa, in which country Germany had sunk immense sums of money. Railroad and harbor building would proceed much more rapidly in this cultivated land than in wild territory. China's industrious population might readily supply a good market. From 1881 to 1890 German exports to China had already risen from 11,000,000 marks to 19,000,000 marks, and imports from 11,000,000 to 50,000,000 marks.

The murder of the missionaries in 1897 was seized upon as a pretext for the establishment of the German colony at Kiaochow. German citizens, it is true, had frequently been killed on the Russian border, but their deaths had not called so urgently for vengeance; and vengeance took the form of a land indemnity in the harbor of Kiaochow.

After the Chinese expedition of 1900 Germany planned to extend her sphere in China to the hinterland of the Shantung province. The other powers, however, were not yet ready to concede such a claim. China was not yet quite ripe for the partition.

Meanwhile Japan had become a great industrial

power. She had energetically developed her industry, but had, however, only a restricted market at home for her output. The German sphere in Shantung, the expansion of English interests on the Yang-tse, the American base in the Philippines, stimulated her to extend her own spheres of influence. It was her expansion into Korea and Manchuria which brought her into conflict with Russia.

The New Birth of China.

Since the Russo-Japanese War "modern China" has come into being. There is a native manufacturing and capitalist class that wants to oust the European powers, and take railroad building, etc., into its own hands. This class, until the time of the revolution, desired a strong central government to replace the tottering Manchu dynasty. The new industrial classes, however, were opposed by the old Chinese bureaucracy, which supported the monarchy for its own selfish purposes. The bureaucrats knew that a strong, well-organized government would deprive them of the many advantages enjoyed under the existing chaos. They would have even preferred that the empire be dismembered by the European powers than that a powerful Chinese Government be established. Yuan Shih-kai, governor of one of the provinces and practically head of the government during the last years of the Manchus, tried to save the monarchy by raising an army and centralizing the finances. But the task was evi-

dently beyond his powers. The revolution broke out in south China in 1911. European capital did not know how to treat this situation. It was apparent that new inroads upon China would now meet with opposition from the Chinese themselves.

German Trade Failures.

If Germany's spheres of influence in China were for the purpose of insuring greater trade with that country, the results do not justify the means. German trade with China has grown absolutely, but not relatively. In 1901 it was 82,400,000 marks, and in 1909 it amounted to 161,000,000 marks. The first figure represented 5.99 per cent. of China's trade with the world, the second figure 5.87 per cent. of that trade. The trade of Kiaochow itself is small, for the industrial provinces lie to the south. German exports to Kiaochow dropped as the harbor works and buildings were completed. In 1909 the exports were only 147,000 marks, while imports were 3,300,000 marks.

English interests, including the banks and industries, had the advantage of earlier occupation in China, as well as better geographical locations and long-developed markets in that country. One German bank in China, the German Asiatic Bank at Shanghai, founded 1889, with a capital of 20,000,000 marks, does a good business and pays 8 per cent. dividends. Besides this bank there are the German-Schantau Mining Company, with 12,000,000 marks

capital; the China Export, Import, and Banking Company, with 1,500,000 marks capital; the Shantung Railroad Company, with 54,000,000 marks capital; besides the share of German bankers in supplying the Chinese loan.

Loans raised by China aggregated 2,400,000,000 marks up to 1909. It is not known to what extent Germany participated in these loans, but evidently it could not have been a very large percentage or Germany would have a larger proportion of China's trade. But German capital, far from admitting discouragement, continued to urge still greater efforts to capture the Chinese markets. As a minor result we have the spectacle of the German Government building a higher school in China for the education of Chinese agents for German capital, while the German masses are crying for more schooling for their children. The revolution in China, as in other countries, had a stimulating effect upon German overseas imperialists. "Look toward China and build more battleships," was the tone of the imperialistic press and the ship-building companies of the country.

Kiaochow and the Shantung Railway.

The murder of two Lutheran missionaries by a Boxer mob in 1897 gave Germany the occasion to secure the colony of Kiaochow in the southeastern part of the province of Shantung. Germany was only the lessee of the colony, yet she spent immense

sums upon it. She fortified Tsingtau, which had a garrison of 3,000 marines in normal times, and to which reservists flocked for the summer manœuvres. Great Britain also had a footing in Shantung at Wei-hai-wei, on the northern coast of the province, opposite Port Arthur. Great Britain has not as yet fortified her holding, which is "defenseless except for the fleet." Wei-hai-wei was taken by the English as an offset to the Russian occupation of Port Arthur, when that important base passed into the hands of Russia. This move on the part of England was explained as a necessary measure to guard the "open door" in China.

But to return to Kiaochow: 60,000,000 marks, at a conservative estimate, were spent by Germany merely in fitting up a strong military and naval base. The native population was forcibly expropriated. A railway nearly 300 miles long from the port to the capital of the province at Tsi-nan-fu, was built to tap the resources of the interior. The Germans supplied the money and the engineers. Ultimately the intention was, no doubt, to connect the Shantung line with the Lu-Han, the main artery of the Chinese system, which would have made Tsingtau an outlet for a large part of the trade which has hitherto gone to Tientsin and Chefoo. The coal in the colony was exclusively mined by Germans.[1]

In December, 1913, an agreement was reached

[1] E. Bruce Mitford, *Fortnightly Review*, November, 1914.

between the German and Chinese Governments, whereby a concession was granted to complete two important railways in the protectorate of Kiaochow, at an aggregate cost of 3,500,000 to 4,000,000 pounds. One was to run southward from Kamai on the Shantung Railway to Haichow, at the junction of the Imperial Canal with the Tientsin-Pukow Railway. The second was a continuation of the Shantung Railway to the interior from Tientsin westward to a point on the main line from Pekin to Hankow; each line to be about 150 miles long. The capital, material, and chief engineer were to be furnished by Germany, although the lines were to be built as imperial state lines by the Chinese ministry of traffic.

The harbor of Kiaochow was captured by Japan during the early months of the present war, and with it all of the railways and concessions and trade connections which Germany had so laboriously acquired. This probably means an end of German territorial influence in the Far East. It is one of the most substantial losses to her overseas empire.

CHAPTER XXI

GAINS AND LOSSES OF IMPERIALISM

WHAT are the gains from the colossal outlay for imperialism, for naval appropriations, for armaments? Does imperialism pay even in the coin of the realm? Are there any dividends at the end of the year? Have the governing countries anything to show for the outpourings of wealth and sacrifice that go into the dominion of weaker peoples and the exploitation of helpless countries?

It should be possible to strike a balance of gains and losses, and find some return that justifies the great powers in continuing the struggle for a place in the sun. We should know who it is that gains, if anybody gains. We should know what they gain and how much. And, above all, we should know whether those who gain pay for their gains; or are the gains of the financiers and war traders and the commercial classes made by a few, and the financial cost and human sacrifice shifted to the many, who have no possible interest in imperialism?

But the imperialists will not permit us to present such a balance-sheet; to set down the gains and the losses, not only to life but to the material well-

being of the people as well. Those who insist upon knowing are derided as mere materialists. When pushed from one untenable position to another the imperialist silences objection by talk of patriotism, the destiny of the country, a place in the councils of the powers, and an appeal to the fate of China and Belgium.

Do the manufacturing classes gain? Does trade follow the flag? Is it necessary to find an outlet for our surplus wealth production in foreign parts, and do we succeed in doing so as a result of all our efforts? Can it be shown that labor gains even indirectly by the expansion of markets and by being kept employed? The experience of Germany and England answer these questions in the negative.

Expense of the Colonies.

Prior to the war there was a very general appreciation in Germany that her colonial policy had been a failure. But she must have a place in the sun, even though it be arid, unproductive land. And hope has been kept alive by promises, and a public opinion has been manufactured that a state cannot be great unless it has dependent people as part of its possessions. This is one of the age-long fictions of empire. It has seized the United States, and many persons in influential quarters would have us extend our sheltering arms to Mexico and Cuba.

The cost of the various possessions and protectorates of Germany to the end of the fiscal year

1906 was about $160,000,000, according to a statement furnished the Reichstag in 1907. Of this amount the share of East Africa was $22,500,000; Cameroon $6,375,000; Togo $1,000,000; Southwest Africa $23,750,000; New Guinea $1,750,000; Archipelago $625,000; Samoa $350,000; Kiaochow $25,500,000; besides $5,000,000 paid to Spain for concessions in the Caroline, Marianne, and Pelew Islands; $875,000 for the principal insurrections in East Africa; and immense sums spent in the Southwest African War. The total expenditures for colonial expansion are over $325,000,000. This does not take account of the Chinese expedition, costing $116,500,000, or of the mail steamship subventions, naval extension, telegraphs, railways, etc. The expenditure on the colonies was estimated at about $10,000,000 a year for some time to come, not providing for any wars.

Many lives, too, have been lost in the tropical colonies. In the Cameroon alone there were 17 military expeditions of all kinds between 1904 and 1908, and there has been continual unrest there and in other parts of Africa. The cost of fitting out Kiaochow as a fortified base is estimated, conservatively, at $15,000,000.[1] Moreover, in addition to a great navy, the government faced the necessity of providing a permanent colonial army.

In 1906–7 the subsidies voted by the empire were

[1] E. Bruce Mitford, in *Fortnightly Review*, November, 1914, p. 782.

$21,811,250, and were apportioned as follows: East Africa $1,465,250; Cameroon $726,000; Southwest Africa $16,167,750; Kiaochow $2,933,750; and smaller amounts elsewhere. The largest part of the expenditure in Southwest Africa was military expenditure, which was not repeated in subsequent years. The colonies gathered some little revenue for themselves, too, in the shape of customs duties and local taxation. In 1906 this was altogether $2,055,250, and most of the sum came from alcoholic liquors which work havoc on the natives. Local taxation produced $4,817,500 in 1906.[1]

The Returns from Colonization.

What are the returns from this investment? Is there anything in the claim of the trading classes, that colonial possessions or spheres of influence must be secured to provide markets and absorb the surplus wealth produced at home? What has been the success of the country that of all others is most thoroughly organized to promote foreign trade and has devoted the most scientific thought to the subject?

Germany has made the most strenuous efforts to make colonization pay. She has built up a navy at tremendous cost; she has secured the second largest merchant marine in the world; she has trained thousands of men in the most efficient way in her commercial colleges, in her industrial schools,

[1] C. S. Goldman, *Nineteenth Century*, February, 1912.

in foreign travel, to enable her manufacturers to share in the trade of the world. No country has done a fraction of what Germany has done to place her products in foreign parts. Here, if anywhere, we should see dividends from imperialism, from Kiaochow, from Africa, from Turkey, from the less civilized peoples of the world.

Up to the outbreak of the war Germany's colonial trade had been most disappointing. The vast outlay that had been made had brought but little return. The colonial import and export trade of the colonies for the twenty years ending in 1908 was but $80,000,000, which is less than the value of the goods sold to Switzerland every year. England's trade with Germany approached $500,000,000 a year. England was Germany's best customer. It would seem to have been good business to try and remain on good terms with her. And a large part of this trade with the colonies during the past two decades has been in exports for the construction of public works, for stores for the army and the navy, and for munitions of war. These can hardly be considered profitable to the home country, whatever the profit of the munition makers may have been. The entire foreign trade of the colonies in 1905 was but $48,000,000, of which about $35,000,000 was in imports and $13,000,000 in exports. From the laboriously developed colonies in Southwest Africa there were no exports at all, while the

imports into these colonies of $6,250,000 were largely in clothing and supplies for the white German population, which numbered 10,000. Only Togo was financially independent in 1908.

Overpopulation and the Pressure of Population.

The imperialists of Germany have given a popular appeal to colonial ambitions (1) by insisting that an outlet must be offered to overpopulation at home and (2) that new sources of supplies of raw materials must be found from German controlled dependencies. The results of twenty years of colonialism are analyzed by Karl Radek, a well-known writer, in a work entitled *Der deutsche Imperialismus und die Arbeiterklasse*, published in 1912.

According to this authority neither the Germans nor the French are willing to emigrate to the newer colonial dependencies. The German workman is tolerably well off at home, while the very general prevalence of peasant proprietorship in France has always kept the people of that country from emigrating. There has never been much emigration from France to America, and since 1885 the emigration from Germany to the United States has fallen to the negligible number of 30,000 a year. France has spent 7,000,000,000 francs in the seventy years of her dominion in Algeria, and in all that time only 364,000 Frenchmen have found their way to that colony. In Tunis, after thirty years of French rule,

there are 24,000 French settlers and 83,000 Italians. Yet both these countries are very close to France.

German Colonization.

German colonization is even less promising. As a matter of fact, German colonization began just as emigration from Germany began to cease. Her population, though growing with great rapidity, was finding employment in the expanding industry of the country. Emigration had been much greater, both absolutely and relatively, when Germany was still an agricultural country. According to Radek, of the 269,441 persons who emigrated from Germany in the decade, 1901–10, only 596 went as genuine settlers to the colonies. This is only natural, as those who leave their native country do so to increase their wages, and usually go to such countries as the United States. There is no industry to speak of in the German colonies. They have no coal or iron, and have the additional disadvantage of a poor climate. Yet the German workman is taxed to support the colonies, and may be called upon to offer his life in wars for them when he is being crowded out of work in his own country by the cheaper labor that is invited into the country from southeastern Europe.

In Southwest Africa, the most promising of the African colonies for white settlers, the government sought to encourage colonization by offering a bonus of $1,500 each to the 22,000 volunteer sol-

diers who took part in the expeditions to that territory, if they would remain as farmers. Only 5 per cent. remained. In assigning the reasons for this condition, Dawson says:[1]

"It is certain that agriculture must always be the chief source of wealth of all the colonies, but the cost of farming on a large scale, which is the only kind possible, is prohibitory except for people with large capital. In Southwest Africa a farm capable of giving any return must be at least 25,000 acres in extent. Indeed, a capital of from 500 pounds to 2,500 pounds is necessary in order to be admitted to any of them as a settler. A laborer must deposit the amount of return fare if he fails to find work within fourteen days."

Colonies and Raw Material.

It is further urged that German industry needs the colonies as sources of supply for raw materials. This, too, is not supported by experience. But the imperialists urge this argument in a plausible way. "Why," they say, "should not Germany produce in her own possessions the raw materials we now get from foreign countries? This would insure our supply; it would prevent arbitrary dictation of prices; and would keep our money from going to foreigners." If true, such arguments might justify colonies and the expense which they entail. But what are the facts?

Trade statistics show that in 1898 80 per cent. of Germany's imports, and in 1908 83 per cent. of

[1] *Evolution of Modern Germany*, p. 395.

them, consisted of raw materials and foodstuffs. It would possibly be an advantage to German industry if German colonies could be depended upon to supply raw materials for German factories. But the fact is the colonies supplied only an insignificant proportion of it, and they would never be able to supply very much more. Even if they could, German industry would not be materially better off by reason of that fact.

In 1910 Germany imported goods to the value of 8,934,100,000 marks, of which 7,661,500,000 marks came from America, Europe, Australia, and New Zealand. The remainder, 1,272,600,000 marks, was from Asia, Africa, and Polynesia, and of this amount 36,000,000 marks must be taken out as Japan's share. Therefore only 1,236,000,000 marks' worth of African or Asiatic raw materials remain, or about one-seventh of German imports, which might possibly be produced in German colonies.

Experiments in Southwest Africa.

What success has Germany had in forcing a supply of raw materials from her own possessions? The government endeavored to develop Southwest Africa as a source of supply. Experiments in cotton raising on a large scale have been encouraged, especially since Dernburg's administration. By 1908 two companies had acquired 150,000 and 50,000 acres of land, respectively, in the neighborhood of the Victoria Lakes. The African Cotton Company was

formed, with a capital of $2,500,000, for the general development of cotton planting and trading in the colonies, especially in East Africa.

But very little cotton came from the African colonies. The growth of the trade was hampered by lack of transportation facilities. In spite of all the money that had been spent, much more was needed for railways before there could be any adequate return.

Other more favored countries are the natural sources from which raw materials will probably continue to come. In 1910 Germany bought cotton to the amount of 73,000,000 marks from Egypt and 46,000,000 marks from British India, while she received 406,000,000 marks' worth from the United States. The monopoly of the supply of cotton by America and Great Britain is a disadvantage to the German manufacturer, it is true, but the German colonies would never be able to relieve the situation.

Difficulties of Colonial Development.

The difficulties of cotton raising in East Africa, Togo, and Cameroon are almost insurmountable. The few large planters already complain that they are unable to get enough native labor to work the fields. Forced labor results only in insurrections. Even in Southwest Africa, where the climate is best suited for cotton raising, progress has been slow. The Hereros there are more unmanageable than any other natives. In East Africa, where the natives

take more readily to cultivation of the fields, they live under tribal conditions of landholding, far from the territory suitable for plantations. Capitalists urged more railways for the African colonies on the plea that cheaper transportation would encourage cotton planting. But that result is problematical.

Capital refuses to invest in the colonies, and this is the best proof that the colonial empire is not a valuable source of supply. Up to 1907 German capital scarcely went to the African colonies at all, and by 1909 only 1,700,000 marks had been invested there in cotton-planting experiments, according to the government report on the cotton question. "And yet they try to tell us," says Radek, "that the destiny of the German textile industries depends on the solution of this African cotton question." Capital remains away because profits are too uncertain and slow, and capital wants immediate profits. The African colonies might not, and probably would not, be able to contribute substantially to the supply for one hundred years.

But even if the supply were forthcoming the German manufacturer would be no better off, even if he received his cotton from his countrymen in East Africa, for the latter would not sell below the market price, which is determined in the world markets. And if, by any chance, a large amount of foodstuffs should be raised in the colonies, the Agrarians, who control the government at home, would see to it

that the products of the colonies did not enter the country under a lower tariff than those from America or any other foreign country. For the Agrarians or Junkers have never been willing to see their own interests jeopardized by outside competition.

English Experience.

Nor does England make a better showing for her colonies and the policy of imperialism and overseas possessions. As a matter of fact, even under the best of conditions the nation loses by the exportation of the capital, much of which goes to cheap native labor instead of to English working men, while the profits all go to the moneyed classes.

The low wages and long hours of labor in the Egyptian and Indian cotton-mills, which countries are not covered by the factory or hours-of-labor acts, tend to lower the standard of living in the Manchester Mills. They rob the home manufacturer of his markets and the British workman of employment.

Professor Hobson estimates the import and export trade of the kingdom at about one forty-fifth part of its total income. The value of the import and export trade rose from 547,000,000 pounds in 1870 to 765,000,000 in 1898. The per-capita value, however, remained almost stationary, even falling a little from 20 pounds to 19 pounds. From 1884 to 1898 the trade between the United Kingdom and its possessions rose only from 184,000,000 pounds to

190,000,000 pounds, while the expenditures on armaments increased during the same time from 27,000,000 pounds to 40,000,000 pounds, not including war costs.

Great Britain imports more than three times as much from foreign countries as from her possessions, and exports twice as much to foreign countries as to her possessions. In the year 1900 only 21 per cent. of her imports came from her possessions, as compared with an average of 23 per cent. from 1891 to 1895, this in spite of the fact that within the past twenty-five years Great Britain has increased her empire by about one-third. Her trade with France, Germany, and the United States, however, has greatly increased. These countries are England's industrial rivals and might be aroused by her imperial policy. Her import trade with the United States is greater than that with all her colonies. England's profit from foreign and colonial trade, according to Sir Robert Giffen, was only 18,000,000 pounds in 1899, as compared with a profit of from 90,000,000 to 100,000,000 pounds from foreign and colonial investments.[1]

Nor has England's recent expansion been for the sake of emigration. In the year 1900 there emigrated to the United States 102,797 subjects of the United Kingdom, while only 18,443 went to Canada, 19,922 to Australia and New Zealand,

[1] Brailsford, *The War of Steel and Gold*, p. 77.

20,815 to the Cape of Good Hope, and 11,848 to other places.[1]

Failure of Imperialism for Trading Purposes.

There is little in the experience of Germany, England, or France to support the assumption that trade follows the flag, or that imperialism is justified on trade grounds. A people cannot be forced to buy if they do not want to do so, and they cannot be compelled to accept the goods of one country if those of another are better suited to their wishes. The real trade of the world is among the civilized peoples; it is between the great powers. Germany sold $290,000,000 worth of goods to Great Britain in 1913; her trade with Russia was very large, as it was with the other now belligerent powers. And trade is reciprocal. It does not flow only one way; and as a matter of fact it cannot continue to flow in one direction for any great length of time, because goods must be paid for in goods rather than in money. The real markets for foreign trade are with the great powers rather than with the colonies and dependent peoples.

Thus far there is nothing to justify the belief that imperialism pays from a trading standpoint; it does not give employment to labor or care for the problem of surplus population at home. Dependencies are almost wholly a loss, not only in men and effort but in money as well. They are a

[1] Hobson, J., *Imperialism*, p. 49.

burden to the owning countries. Only when these countries are exploited by force or coercion are they a source of profit to the owning country and then the gain is to the great financiers and munition makers.

Neither are colonies a source of raw materials, as has been confidently hoped by Germany. Nor do they offer a place for colonization for increasing population at home. All of the mercantile and trading arguments for colonies have fallen to the ground in the light of experience.

CHAPTER XXII

SHIFTING THE COST OF WAR

THERE would be an end of war and preparations for war if the cost were borne by those responsible for war. There would be an end of armaments and preparedness if incomes and inheritances and the landed estates of the feudal classes paid for the protection which their privileges enjoy.

War and preparations for war are possible only because the ruling classes are able to shift a great part of the cost onto the poor by indirect taxation and loans. War expenditures are tolerated only because the burdens are concealed in the increased cost of the things the people consume. "The art of plucking the goose without making it cry out" has been developed to a high state of perfection at the hands of the war makers.

This is as true in the United States as it is in the autocratic countries of Europe.

Shifting the burdens of war is the final move of the ruling classes. Indirect taxation is the method by which it is accomplished. Indirect taxation has always been a favorite device of the aristocracy. It is a feudal survival from which democracy has been unable to escape. In England it was born in a

conspiracy between Charles II and the English landowning aristocracy, when the aristocracy coerced the King into giving up his feudal land taxes, by which, under the mediæval system, the crown was supported. Under this compact the King was permitted to collect excise duties upon articles of consumption on condition that he give up the land taxes paid by the great landowners. The King secured his revenue, but he collected it from the poor. The aristocracy, on the other hand, secured exemption from taxation upon its landed estates, which under the feudal system were subject to rents and dues to the crown, just as the peasants and serfs were subject to rents and dues to the overlord.

This conspiracy, sanctioned by Parliament, which was merely a council of great landowners, continued unchallenged until 1909. Not until the present Liberal ministry came into power was the compact questioned.

But the excise taxes are still fastened upon the people. They and customs duties on goods imported into the country remain the source of a great part of the national taxes of the British Empire as well as of the other powers of Europe. And these taxes bear most heavily on the poor, by whom they are for the most part paid. Indirect taxes are exaggerated poll-taxes. The poor man, it is true, consumes less tea, coffee, sugar, salt, beer, and tobacco than does the millionaire, but the difference is not material.

Indirect Taxes in the United States.

One of the first acts of Alexander Hamilton in his administration of the Treasury Department was the enactment of protective tariff and excise dues. They fell in with his aristocratic instincts and concern for the propertied classes. The excise taxes were soon repealed, but the customs duties remained. Up to the Civil War, however, the customs rates were low, the expenditures of the government moderate, and the burden on the people easily borne.

The necessities of the Civil War led to an immediate and rapid increase in indirect taxes of all kinds, both customs and excise. Added to the nation's needs was the clamor of the industries of New England and Pennsylvania for protection, a protection which soon became prohibitive. Duties were increased and still further increased, while a rapidly growing population with a relatively high standard of living afforded a market for foreign commodities. These taxes yielded an immense revenue that had to be spent in order to prevent the accumulation of a surplus that would in time imperil the continuance of the protective tariff. The old man of the sea was engrafted upon us by the necessities of the Civil War, and when the war was over the protected interests were so powerful that they prevented a reduction of the tariff or a return to the moderate expenditures which had previously prevailed.

During the forty-three years from 1870 to 1913 scarcely a dollar of the Federal revenue was collected from wealth, property, or income. The burdens of the government were borne by those least able to bear them. Privilege was ascendant, and privilege was interested in a high tariff, in high finance, in a big navy, and in imperialism generally. Up to the recently enacted direct taxes, which yielded $60,000,000 in 1914, the whole cost of the government was collected from indirect taxes on consumption. No nation of Europe, unless it be Russia, has ventured to shift the burdens of the state onto the consuming classes as has the United States.

During the fifty years following the war not less than $20,000,000,000 has been collected from indirect taxes upon sugar, wool, clothes, cotton goods, lumber, chemicals, glass, tobacco, beer, oleomargarine, distilled spirits, and other articles of consumption. In recent years the total revenues from these sources has amounted to $600,000,000 annually.

Herein is one cause of poverty and the unjust distribution of wealth. Herein is one explanation of war and preparations for war. So long as those who promote war and profit by war are able to escape the costs that war involves, they can afford to plunge peoples into it with little fear of the consequences.

Great Britain.

In no country of western Europe is so large a percentage of the people on the verge of poverty

as in Great Britain. The system of taxation both local and national is adjusted to relieve the landed and ruling aristocracy from its burdens. Local taxes or rates are paid by the tenant rather than by the property owner. Land, houses, and improvements as such are exempt. The local taxes are determined by the amount of rent and are paid by the occupant. This is one of the explanations of the poverty of Great Britain, for the local taxes are very heavy. A great part, at least one-half, of the imperial taxes are shifted in the same way onto the poor, despite the heavy income and inheritance taxes. In 1914, $178,842,900 was collected from customs taxes levied upon tea, cocoa, coffee, sugar, tobacco, wine, and spirits—all articles of universal consumption. The duty on tea, which is universally used, has been raised to above 100 per cent. The excise taxes are also heavy. In 1914 $198,289,785 was collected from excise taxes imposed upon articles of consumption. In that year the total imperial taxes from indirect sources amounted to $427,049,400.

We are accustomed to think of Great Britain as a free-trade country, and such she is on raw materials and most manufactured articles. But food is taxed, and taxed heavily. The people of Great Britain pay the highest per-capita taxes from customs duties of any nation, including even our own. And in the aggregate they are next highest to the highly

protected United States. The per-capita customs revenues of Great Britain (1909) were $3.70, those of Germany were $2.50, of France $2.50, and of Austria-Hungary $1.75.

In 1909 France collected $100,000,000 from customs duties; Germany collected $155,000,000; and Russia $135,000,000. Other taxes yielded $460,000,000 in France; $280,000,000 in Germany; and $225,000,000 in Russia. Russia obtained $530,000,000 from miscellaneous sources, of which approximately three-fourths, or $400,000,000, came from the government monopoly of distilled spirits, paid almost exclusively by the peasants and the poor.

Indirect Taxation and Militarism.

We tolerate indirect taxation only because we do not know we are paying it. This is why it is such an easily worked device of the ruling classes. If we were all subject to an income tax of the same amount there would be a universal protest. Indirect taxes bear no relation to ability to pay, to wealth owned, or income enjoyed. Moreover, indirect taxation makes national extravagance possible. Money can be spent by the government in any sum and for any purpose, and little protest is made. The cost of government is so completely disguised that we cannot complain and cannot organize to resist.

Indirect taxation is the invaluable ally of militarism. It makes militarism possible. For the

owning classes would not pay the cost of war if it were shifted onto wealth and incomes rather than consumption. There would be a cry of protest from the privileged classes if the $3,500,000,000 collected by indirect taxation by the eight leading powers in 1909 were paid by taxes on the things they own.

The total collections and per-capita burdens from customs and excise taxes in 1909 were as follows:[1]

CUSTOMS REVENUES

	Pounds	Per Head s	Per Head d
United States	60,142,387	13	6
United Kingdom	33,687,000	14	10
Germany	31,707,157	10	0
Russia	27,431,700	3	5
Austria-Hungary	23,494,283	9	0
France	19,834,280	10	1
Italy	13,639,358	8	0
Japan	4,837,624	1	10
	£214,773,789		

INTERNAL OR EXCISE TAXES

	Pounds	Per Head £	Per Head s	Per Head d
United Kingdom	118,268,000	2	12	0
France	91,851,802	2	6	9
Austria-Hungary	71,561,261	1	8	0
Germany (Empire and Prussia)	56,348,176	0	17	8
United States	49,242,529	0	11	9
Russia	45,421,800	0	5	8
Italy	36,938,604	1	1	6
Japan	27,993,886	0	10	6
	£497,626,058			

[1] Lawson, *Modern Wars and War Taxes*, pp. 110, 112.

Of this sum 30 per cent. came from customs and 70 per cent. from internal sources. Strange to say, it was the more democratic countries of Great Britain, the United States, and France that collected the largest sum per capita from these taxes.

The burdens of taxation are still further heightened in these democratic countries by reason of the fact that a relatively small part of the total revenue comes from productive sources, such as the state-owned railways, mines, etc., while Germany, Austria, and Russia derive immense profits from state-owned utilities, which are used to reduce taxation.

Economic privilege in England, France, and the United States not only shifts the burdens of taxation onto the poor, but the profits of private ownership as well. In Great Britain 79.9 per cent. of the imperial revenue comes from taxation and only 20.1 per cent. from proprietary sources, such as the post-office, dividends on Suez Canal stocks, and occasional windfalls from the woods and forestry departments. In Austria (1909) taxation provided 75.20 per cent. of the total revenue, in France 70.53 per cent., in Italy 58.02 per cent., in Japan 57.58 per cent., in Germany 47.97 per cent., in Hungary 43.35 per cent., in Russia 28.84 per cent., and in Prussia 12.93 per cent.[1] Productive activities, like railroads, mines, forests, and government monopolies, yielded the remainder.

[1] Lawson, *supra*, p. 116.

War Debts.

All other war indebtedness sinks into insignificance in comparison with the colossal costs of the present European war, which have amounted to approximately $20,000,000,000 in fourteen months. And only through the issuance of loans can modern wars be carried on. But the payment of these loans, like the current cost of government, is shifted largely onto the consumer. It is paid by succeeding generations through indirect taxes.

The interest upon the public debts inherited from past wars is not included in a nation's military expenditures, as it should be. "It might be within the mark," says Lawson, "to say that three-fourths of the British national debt has been spent on fighting and helping other nations to fight." The interest on this debt has been from 4,000,000 to 28,000,000 pounds a year, three-quarters of which would be 15,750,000 pounds. All of the military nations have huge aggregates of previous war bills running on indefinitely at compound interest. The national debt of France in 1909 was $6,541,995,000, which amounted to $165 per head of her population; of the United Kingdom $3,612,315,000, or $84 per head; and of Germany $3,381,190,000, or $59 per head.

As to what the debt and interest charges of the European powers will be when the war is over no one can conjecture. The indebtedness created dur-

ing the first fourteen months of the war is estimated at $20,000,000,000, or nearly as much as the total war indebtedness of Europe prior to 1914. The expenditure for the second year is estimated at $35,000,000,000; at the end of which time the present war debt may exceed $50,000,000,000, or more than the total foreign investments of all of the great powers of the world. The annual interest charges have already been increased by $1,000,000,000; at the end of a second year they will amount to possibly $3,000,000,000. And this does not include pensions, the maintenance of hospitals, invalid homes, and institutions for millions of disabled; it does not include the cost of repairing the ravages of war or of credit to be extended to manufacturers and farmers, if the industry of the devastated nations is to come to life again.

And if the ruling classes are able to do so, they will shift the burden onto labor, onto the poor; it will be paid by those who have already offered their all at the front. Of all the injustice of war and class rule, the shifting of the cost of war from the possessions and privileges of the rich onto the backs of those in no wise responsible for war is possibly the cruelest.

CHAPTER XXIII

PRIVILEGE THE CAUSE OF WAR

FROM the foregoing discussion it is apparent that the people do not make war. War has little or nothing to do with national ambitions; it has nothing to do with the desires of peoples. It is in no way related to their needs, their safety, or their lives. Wars and preparations for war are economic. They are born of privilege in politics, privilege in finance, privilege in trade. All other causes have become secondary. In many ways war is more selfish, more cruel, and more senseless now than in any previous age in history. In the distribution of burdens it is far more unjust than it was in the Middle Ages.

Privilege is as ruthless in its international activities as it is in domestic politics; as it is in Germany under the Junkers; as it is in Great Britain under the aristocracy; as it is in Russia and Austria; as it is in the United States through the franchise-seeking interests and public-service corporations. Economic privilege threw Ireland into the throes of civil war over the Home Rule bill. The ruling classes supported armed rebellion in Ulster. And privilege has not hesitated to go to similar lengths in Colorado,

in West Virginia, in city after city where its power was challenged by the community.

The war makers are powerful in international affairs in direct proportion to their economic power in their own country. They are powerful in Russia, Germany, Austria-Hungary, and Great Britain. They are weak in France, Switzerland, Holland, Scandinavia, and Denmark. The countries of widely distributed wealth are the peaceful countries; the militarist countries are those in which the aristocracy still owns the land and wealth of the nation. Aristocracy and democracy are alike a reflection of the economic foundations of the state.

The New Imperialism.

In a generation's time high finance and industrialism have leaped over the narrow nationalism of previous times. A new imperialism has come into existence, based upon foreign loans, concessions, spheres of influence, and monopoly of trade. Surplus capital created these conditions. It reached out to the unexploited places of the earth and ultimately subjected the whole world to its sway. The making of munitions is a further expression of the same force. The industry is closely related to the financial institutions as well as the ruling classes, who are financially interested in what is the most respectable of all industries.

In the struggle of financial groups nations have been bent to the will of the investors, while govern-

ments have become the pawns of a ruling class. Imperialism is identified with the safety of the state, while the people under the plea of patriotism give generously of their lives and their property for the defense of the privileged classes and the things they own.

Herein is the background of militarism, of the preparedness, of the wars which have been almost continuous since the advent of overseas finance in the closing years of the last century:

(1) The powers of Europe, outside of France and England, are still ruled by the feudal aristocracy. The people have little real voice in the government. Least of all are they consulted as to war.

(2) Foreign relations are the relations of the aristocracy. It controls the foreign office and all diplomatic intercourse. Foreign affairs are secret. The people are kept in the dark as to their most important affairs.

(3) The class which rules Europe owns Europe much as it did under the feudal régime. The people are still subject; they still pay rent to the overlord; they still pay most of the taxes. Ownership and government are still merged as they were in the seventeenth century.

(4) Rents, profits, and surplus wealth have ventured forth to all the earth in search of dividends. The state has followed the investor. It has widened its sovereignty at the command of the ruling class.

Billions of dollars have been so invested. They have come in conflict with other billions. The imperialism of finance has given birth to militarism as a means of protecting investments, collecting debts, and enforcing contracts. Colossal burdens have been heaped on the people for the creation of an imperialistic policy that had its origin not in the needs of the state, but in the demands of the banking and commercial classes. New shibboleths, such as "spheres of influence," "protectorates," etc., have been coined to identify the private conflict of the financier with patriotism, and the worker has been sent to the most distant corners of the earth under the appeal to protect the flag.

(5) The trade in war munitions is the ally of the investor. It is the apotheosis of capitalism. Loans are made to weak countries and warring revolutionists on condition that the money be spent on munitions. Peaceful peoples are induced to join in the competition for battleships, submarines, fortresses, and guns. Loans to weak nations are easily forthcoming for such purposes. The ultimate results are often the destruction of the very liberties for which the munitions were purchased. But the conquest is by a greater power and one which sanctions its depredations by the claims of a superior civilization.

Lobbies, diplomatic agents, a subsidized press, and a close intimacy with the governing classes are used to promote the sale of arms. The public mind

is infected by an appeal to the necessity for preparedness. Peaceful nations are subjected to war scares promoted by the press influenced by the munition dealers. Men in high places are drawn into compromising positions by being stockholders in great corporations which deal with their own government, as are officials of the War and Navy Departments, but by reason of their station and the respectable and patriotic business in which they are engaged they are immune from criticism.

(6) There are great profits from all these sources. There are colossal profits from concessions, from the floating of foreign loans, from the handling of billions of securities. Even in time of war the bankers gain. Twenty thousand million dollars of securities have been sold in one year to carry on the present European war. The banks underwrite the loans or subscribe for them in large sums, to be later distributed to buyers. The bankers take their commissions on the transactions. They even fix the prices at which the bonds shall be sold by the governments, as well as the terms of payment and the placing of the borrowed money. They handle the contracts for the purchase of supplies, for the buying of munitions, for the colossal expenditure on which the government is committed.

The munition makers enjoy a harvest. Profits which are far above the normal in peace times rise to monopoly heights during times of war, as is seen

in the spectacular fortunes made in Wall Street during the past few months as well as the profit of the banks, munition makers, and trading classes in Europe.

(7) The commercial, mercantile, and ship-owning classes are identified with the more powerful classes of financiers and concession hunters. They saw in imperialism new opportunities for trade, for markets for surplus products which the low wages of the workers made it impossible to dispose of at home. They, too, wanted colonies; they, too, wanted protectorates that would permit of the closed door to the trade of other countries. Out of the fears and jealousies of the commercial classes, united with the ambitions of the financiers and concession hunters, conflicts arose that identified the mercantile groups with imperialism. The munition makers and iron and steel industries of Germany, alarmed at the proximate exhaustion of their iron and coal deposits, ventured forth into Africa, Asia Minor, and China. They wanted to build railroads to serve trade. They came into conflict with England. They carried the National Liberal party which, with the Conservative or landed party, controls the Reichstag with them. They also carried the press and the members of the ruling classes interested in the munition industry. At the outbreak of the war the whole commercial world of Germany was in a state of irritation and sense of

balked ambitions that needed only a pretext to bring on war.

During these years of financial penetration and overseas expansion the foreign offices of the greater powers had lent their assistance to the promotion of business interests. They instinctively reflected the will of the ruling classes from which the foreign secretaries and diplomatic representatives came.

It is these forces that have converted private disputes into war; it is these interests that carried 400,000,000 people into a conflict in which they have little real concern; it is these that have called for the sacrifice of millions of men and loaded the backs of oncoming generations with burdens that involve continuing poverty for unnumbered millions as yet unborn.

These are the unseen causes that lie back of the apparent causes of the European war. Just as the human mind is a complex of accumulated experiences that run far back into previous generations, and subconsciously influence every action, so twenty years of irritations and diplomatic conflict have created national psychologies that accepted war as the only solution of the issues that had been raised.

(8) Indirect taxation permits of militarism without serious burden to the ruling classes. A great part of the revenue is wrung from the peasants and workers by taxes on food, clothing, and the necessities of the people. Indirect taxes on consumption

are the indispensable allies of militarism, as they are of extravagance and irresponsible government. They shift the cost onto the poor, onto those in no wise responsible for war and in no way benefited by it. No single measure would do more to promote peace and disarmament than the placing of taxes on wealth, incomes, and inheritances, so that the cost would be felt directly by the classes that rule in the warring nations of the world.

The Power of Privilege in Domestic Politics.

To many it will seem an exaggeration to ascribe to the activities of high finance the conditions described in the previous chapters. Yet the experiences of a score of American cities, of many American States, the disclosures of the insurance companies, the railroads, and banking institutions during the past twenty years indicate not only the power, but the extent to which privilege will go in the accomplishment of its ends. Wherever financial privilege has been subject to the search-light of publicity a merger of politics and business has been disclosed. The merger includes banks and financial institutions, public-service corporations, and the various businesses which they are able to control. It involves the press, the maintenance of publicity bureaus, and agencies for accelerating public opinion. And war and preparations for war are the international expression of the same struggle that has convulsed San Francisco, Cleveland, Chicago, Den-

ver, or Toledo in the conflict of franchise corporations to protect their grants from the city; it is an expression of the same conflict over the resources of Alaska, of the seizure of the public lands of the nation, of the financial exploitation of the New Haven, the Rock Island, and other railroads. Privilege is no more ruthless in its international dealings than it is in its domestic activities.

One explanation of the extent to which privilege is willing to go is the impersonal character of its dealings. Individual moral responsibility is lost in the impersonal corporation. Acts can be committed by stockholders and directors with impunity, which if committed by individuals would result in imprisonment. Under these conditions perfectly honest men have not hesitated to corrupt city councils, legislatures, and even the courts; they have made use of all of the agencies of government for the promotion of their private interests, even when such activities involved the overthrow of the government itself.

The same merger has come to exist in international affairs, in the too intimate relations between finance and the foreign office, by which financiers have been permitted to become in effect the government in its relations with the outside world. We cannot possibly know the extent to which this is true because foreign activities are conducted in secret; they are not even known to

Congress, to Parliament, or to the Ministry. They are shrouded in the mystery which attaches to diplomacy. They are lost in the indistinguishable confusion of the interests of the nation. We see this confusion in every section of the world, wherever weak countries have invited the greedy investor. And just as the business classes, chambers of commerce, and trade organizations of our cities have risen to protest against any regulation or control of the public-service corporations and have united against such control on the plea that it "hurts business," so we find the same class uniting the press, the investing and the ruling classes in the jingoistic appeals for armaments, for navalism, for a strong foreign policy, and for all of the aggressions and activities that lead to war.

CHAPTER XXIV

WAR AND LABOR

WHATEVER may be the gains of the war traders, all other classes suffer. They enjoy no profits from war or preparations for war. They receive no harvest of extra dividends. No matter where the victory falls the people always suffer. They suffer in lower wages, in higher costs of living, in burdensome taxes.[1] And the poorer the class the greater the sacrifice. War demands sacrifice of the people. It gives only suffering in return.

Labor suffers most. Labor bears the cost of war. It bears it at the front in the trenches. It bears it at home in the suffering of those left behind. Labor really gives its all. It gives life; it gives health; it gives home, family, and the few comforts which labor enjoys. And labor enjoys none of the profits.

[1] While the munition makers in Great Britain doubled their profits during the first year of the war, while the bankers maintained their old dividends and added immense sums to reserves, while the ship owners increased freight rates from 500 to 600 per cent., and freight rates on foodstuffs went up from 10 shillings per ton in 1914 to 75 shillings per ton in 1915, while coal was advanced to prohibitive prices by the operators, the working classes were asked in the name of patriotism to continue their old scale of wages in the face of the fact that flour rose 50 per cent., bread 40 per cent., sugar 68 per cent., and meat from 40 to 50 per cent. War created fabulous profits for the trading and financial classes; it cut the wages of the workers from one-fourth to one-third by reason of the monopoly charges and the high cost of living which the war entailed.

And for generations after the war labor continues to pay the cost in taxation charges. For war loans are never paid. The loans of the present war cannot be paid. And the cost of future armaments will increase the burden still further. Income and inheritance taxes will be used far more extensively than in the past, but they are far less oppressive than those which fall upon consumption, and the ruling classes see to it that taxes upon wealth are among the first to be reduced or repealed.

Defeat means revenge. Revenge means more militarism, for the wounds of defeat can only be healed by more killings. The talent of the state is dedicated to waste. Inventive genius is devoted to the making of engines of destruction. Progress halts, and privilege, toryism, and reaction identify the safety of the state with the continuance of the old abuses in which they are interested.

War and Reaction.

Labor suffers still further. War means reaction. It sets back the world. It means a check to social legislation. There is no money for social needs; no time for humane proposals. "Experience has taught," says Mr. J. Ramsay Macdonald, "that the democratic movement is confused, broken, and subverted when the national safety is threatened and when the emotions let loose by war surge up in the minds of the people. It also teaches us that when the war is over not only is exhaustion upon

the people, not only have they to gather themselves together and pick up broken threads, all of which means waste of time and ineffectiveness of action, but that during the war the reactionary interests have added to their influence and power, and that the thoughts of force and hatred of a foreign enemy, which were natural while the war lasted, have shattered the foundation of the democratic mind and entangled the highways of democratic advance." [1]

This is the verdict of history. "Harriet Martineau," he says, "in a very early page of her *History of Peace*, tells how before the war with Napoleon broke out it was 'an edifying sight . . . to see the prime minister of England, Mr. Pitt, bringing forward the subject of Parliamentary Reform. . . . Thus liberal and popular were the ideas of the great statesman up to 1785.' But as the result of the war, 'he became one of the despots of Europe—in point of despotism, one of the foremost.'

"The French Revolution and the Napoleonic Wars took half a century out of the life of British democracy and threw it back upon futile extravagances and peculiarly minded coteries of idealist or angry reformers. The Crimean War delayed reform, smashed Mr. Gladstone's great financial schemes of 1853, and secured for the reaction a fresh lease of life in its struggle against Radicalism." [2]

[1] *War and the Workers*, p. 2; *Union of Democratic Control*. London.
[2] *Idem*.

Reaction is the order of the day in all of the warring countries. In Russia the rights of the Finnish people and the liberties of the Duma were suppressed at the outbreak of the war. Democratic France returned to a quasi-military government in spite of the fact that there are Socialists in the cabinet, while the Liberal government in Great Britain assumed powers under the defense of the realm act which were described by Lord Halsbury in these words: "Undoubtedly it is about the most unconstitutional thing that has happened to the country."

As Mr. Macdonald says: "The martial music to which the common people beat time is generally the funeral march of their immediate hopes."

The Effect of the Civil War.

War always intrenches privilege in the councils of the nation. The power of the financier is increased. He is called in to rule. Otherwise the state would not go on. Such was our own experience as a result of the Civil War. Prior to 1861 a democratic spirit prevailed in the nation. Slavery was the only privilege. Economy was the note in government expenditures. A low tariff sufficed for all of our needs. The Civil War ushered in a new era. New classes and new interests became ascendant in the government. The need for revenue brought about a merger of the protected interests of Pennsylvania and New England and the banking

interests of Wall Street with the Treasury Department, a merger which has continued ever since. Corruption born of army contracts and war profits penetrated into Congress and the various departments of the government. The public domain of the West was squandered in land grants to the Pacific Railroads with no concern for posterity. The richest resources of the nation were given away. For years after the war privilege was ascendant and democracy reached the lowest ebb in our history. Taxes were collected not for the needs of the government, but to maintain a protectionist policy. Revenues were squandered and pork-barrel methods prevailed. Pensions were recklessly granted to prevent a treasury surplus, while appropriations for rivers and harbors, for public buildings, and other purposes became the recognized practice of congressional procedure.

For fifty years the reactionary influences which gained a foothold during the Civil War maintained their control of the government. This was the most costly price of the Civil War, far more costly than the indebtedness incurred or the economic waste involved. Only within the last few years has democracy begun to reassert itself in the effort to bring back the nation to its earlier ideals.

Herein is the gravest danger of the proposed preparedness. It diverts attention from social legislation and centres it upon militarism, the army and

the navy, on overseas complications and imperialism. Already the democratic gains of recent years have been submerged. Congress and the public mind are absorbed with other questions. There is no place for a peace programme, for abating the abuses of privilege, or for consideration of the proposals of democracy.

CHAPTER XXV

THE ISSUE THAT CONFRONTS US

CERTAIN forces have been set in motion by the European war whose coincident appearance seems hardly a matter of accident. These forces are:

1. The billion-dollar war orders that have filled every available shop and factory with the most profitable orders they have received in years.

2. The agitation for preparedness involving the expenditure of billions of dollars for an increased army and a navy equal to that of the strongest European power.

3. The promotion of powerful financial organizations for foreign exploitation and overseas financing.

These, as we have seen, are the forces of imperialism. Colossal profits in munitions, the agitation for a great navy, and the organization of overseas trading corporations were so simultaneous in their appearance as to suggest cause and effect, especially as the classes most active in promoting preparedness include the leading stockholders in the new promotion corporation, the munition factories, and banking institutions which are reaping such colossal profits from the present European war.

Here is the same merger of interests, here is the same "invisible government" which for the past twenty years has been waging war on democracy. It is the merger responsible for insurance scandals, the railway bankruptcies, the Alaska land frauds, and the monopolization of industry that menaces our life and our institutions. It is an old enemy in new clothes. It is the same merger that for thirty years has involved the greater powers of Europe in war and preparation for war.

The Munition Makers and Their Profits.

Since the outbreak of the war, European war orders have been placed with American firms in excess of $1,000,000,000. The profits on these orders are colossal. War securities have advanced in price on the stock exchange by nearly $1,000,000,000. That much has been added to the wealth of a small number of persons who hold the controlling interest in the greater companies which have the important war contracts. The banking firms of Wall Street have been the financial agents of the Allied powers in the handling of these contracts. They have floated the $500,000,000 Allied loan and carried through all of the transactions for the Allied governments since the outbreak of the war. The largest war orders have been placed with the Bethlehem Steel, Midvale Steel, General Electric, du Pont Powder, Westinghouse Electric, and American Locomotive Companies, all closely identified

with Wall Street interests. Hundreds of millions of orders have gone to lesser companies.

Before the war Bethlehem Steel fluctuated around $40 a share. It has since sold as high as $600 a share. Under the stimulus of war orders Savage Arms rose to $340 a share, du Pont Powder to $422, Colts Arms to $840, and Winchester Repeating Arms to $2,400 a share.

One of the results of the war has been to identify the financial powers with the munition makers as in the warring nations of Europe.

Coincident with the advance in the value of war stocks, the cry of unpreparedness was raised against an unnamed power that threatened us. The cry sprang as if from the earth. It was born with the formation of various leagues for its promotion whose officers and promoters are closely identified with the great banking-houses and munition makers of the East. The press echoed the hue and cry. The navy, which prior to the war was said to be second only to that of Great Britain, is now said to be that of a third or fourth rate power. The army is a paper army. Our coast defenses will not withstand an attack. Any one of the great powers could land an army on our shores and bring us to our knees in a few weeks' time, and 100,000,000 people separated from these powers by 3,000 miles of sea would be powerless to prevent it.

We must have a navy equal to that of the greatest

power on earth, is the demand. Even that seems far from adequate to some. Hundreds of millions must be immediately spent. There must be a large standing army, some say of 400,000, others of 1,000,000 men. Universal conscription is insisted on by some. The whole nation must devote itself to preparing for an invasion, no one knows from where, and no one knows quite how it will come.

The fact that Europe is prostrate with an indebtedness fast approaching $75,000,000,000, that from 8,000,000 to 10,000,000 people have been killed or incapacitated, that the end of the war seems as far off as ever, and that all Europe is so sick of war that a revolution would probably be the result of further aggression, is only another reason for still further preparedness.

No device of the munition makers of Europe for awakening fear, in the promotion of war scares, in the agitation to "scrap" existing armaments, in the lobbies and press control is wanting in the campaign that has been systematically carried on for the last few months. Every attack on the alleged weakness of the army and navy can be duplicated in the disclosures of the tactics of the war traders of England and Germany. Line by line and paragraph by paragraph the stories of the Krupps and Maxims, the ship-builders and the munition makers of Germany, England, and France have been copied by our scare-makers. The bankers and the munition

makers augment the hue and cry. Only a handful of congressmen have exposed the activities of the munition makers and their practices in this and other countries; they have shown the international monopoly which exists, the colossal profits enjoyed, and the gains to be expected from the thousands of millions to be spent on the army-and-navy programme of the next few years.

Is the preparedness urged by the merger of high finance and the munition makers only another device of the privileged interest to secure an indorsement by the government on the back of $1,000,000,000 of paper securities by providing war orders for the munition plants after the war?

The Birth of Financial Imperialism.

The second element in the programme is the organization of forces for the promotion of overseas finance under the guise of promotion of trade. The first expression of the movement is the organization of a gigantic $50,000,000 international corporation organized and financed by interests closely identified with the munition firms and the financing of the present war. This organization, as its promoters announce, is for the purpose of enabling the United States to take a larger part than heretofore in the industrial development of other countries where capital is needed.

Such countries are certainly not Great Britain, France, and Germany—the great investing nations

of Europe. The countries where "capital is needed" are the weak and helpless peoples of Mexico, Central and South America, of Morocco, Tunis, Persia, Africa, China, and the insular possessions of the United States, and elsewhere.

"Wealth is accumulating," so the announcement of the first corporation reads, "so rapidly that a portion of it can be spared for investment abroad. The experience which our people have had in large-scale production and in extensive construction work has especially fitted us to carry on development work in other countries."

"Surplus wealth" lured Great Britain into Egypt. The English financiers made a loan to the Khedive in 1873 of $410,000,000. They gave the Khedive only $105,000,000, and kept $305,000,000 as security. "Surplus wealth" bankrupted that country. It destroyed Egyptian independence; it was followed by intervention and the bombardment of Alexandria to protect the loan. This was the beginning of financial imperialism thirty-four years ago.

"Surplus wealth" led France into Morocco. In six years' time the indebtedness of the Sultan to the European financiers was increased from $4,000,000 to $32,500,000. The Sultan received but a small part of the loan. He went bankrupt. He could only pay the interest by wringing it from the wretched natives who finally revolted. France intervened at the demand of the bankers. Thou-

sands of Moors were slain. Germany sent a gunboat to protest. Europe was on the verge of war in 1911 as a result of this conflict. The Morocco incident is one of the hidden causes of the present European war.

"Surplus capital" lured Germany into Turkey. There were railroads, mines, docks, harbors, and trading concessions waiting to be exploited. The banks earned $25,000,000 commissions in building the Bagdad Railway, and besides saved $45,000,000 more in the cost of construction; all of which was charged to the Turkish Government. The banker was followed by the Kaiser and his armies. Turkey has lost her independence; the Balkan states have been embroiled, and Europe is now warring over the conflicting interests of England, Germany, and Russia in Turkey.

"Surplus capital" negotiated the six-power loan to China. The loan was accompanied by demands by the bankers for control of the internal administration and revenue system of China. It struck at her very life, and China declined the terms. President Wilson lifted American diplomacy into its proper place when he refused to give his sanction to the participation of American bankers in the loan. He ended dollar diplomacy so far as we are concerned. But the same bankers are now loudly clamoring for a return to the dollar diplomacy of a former administration.

"Surplus wealth" aided in strangling Persia. It ended the independence of Tunis. The Italian War against Tripoli had its motive, in part at least, in the speculations of the Bank of Rome.

"Surplus wealth" for foreign investment drained France of capital needed for internal development. It weakened her in her war with Germany.

It was "surplus wealth" invested in South Africa that brought on the Boer War. "Surplus wealth" led to the spoliation of Mexico, the taking of her lands, mines, oil-wells, and the richest portions of the country.

Dollar diplomacy, navalism, and the exploitation of weaker peoples, ending finally in the European cataclysm, have gone hand in hand during the last twenty years. The darkest pages of this story will never be written, for the records lie buried in the graves of weak and defenseless peoples in every part of Africa, in Asia, in Turkey, Persia, Asia Minor, and the Balkans; it is a story that would have been written in the subjugation of Mexico, in Central and South America, had not the Monroe Doctrine intervened.

We should be slow to accept the statement that this is a movement for the promotion of foreign trade, as the organizers of these corporations declare, and as patriotic business men have been led to believe. As has been seen, none of the countries of Europe have materially advanced their trade and

commerce by the organization of banking institutions for that alleged purpose. Rather the foreign banking agencies of the great powers are engaged, almost to the exclusion of everything else, in obtaining concessions, building railroads, securing mining land and oil grants, in the making of loans to weaker powers, and in co-operating in the sale of munitions. And an examination of the interests of the banking institutions that are promoting the new corporation shows that their relations are not in the field of manufacturing, trade, and commerce at all. They are in the field of monopoly, finance, and speculation.

Giving Overseas Expansion a Patriotic Sanction.

As happened in Europe, it is necessary to give a patriotic sanction to financial imperialism to identify the nation with its programme. Wall Street can easily finance a dozen $50,000,000 corporations. But that would leave them Wall Street corporations. The flag would not willingly follow their investments; the nation would not be a complacent collection agency for such questionable claimants; so the new international corporation is to include as many other interests as possible. Such strength is needed, the announcement says, as can only be found by arousing the interest and securing the co-operation of the entire country. It is necessary to make it a national undertaking and appeal to the confidence, enterprise, and patriotism of the American people.

No element is lacking in this new imperialism of finance, which under the glamour of patriotism, aims to exalt America to the dignity of Great Britain, Germany, Russia, and France as a world "power." Line by line the history of the exploitation of defenseless people is foreshadowed in the programme that privilege would have us enter upon. High finance, the making of munitions at colossal profits, overseas exploitation, dollar diplomacy, and a great navy ready and willing to demand the open or the closed door as the immediate advantage may dictate, these are the elements of financial imperialism that have brought Europe to its present end. The logic is inexorable, the results are inevitable. Every nation of Europe that armed for defense has used its preparation for offense. The record of "preparedness for defense" is written all over the map of Africa, it is written in Turkey, Asia Minor, Persia, Manchuria, and China. It is written in the blood of millions of men in the present European war.

Only the chance election of a President might determine the uses to which this preparedness would be put, with the power of high finance, the control of the press, and the invisible powers of privilege ready at a moment's notice to urge the unleashing of guns in the name of "dignity" and "national honor."

This is the programme of preparedness offered by

those who have monopolized the railroads and public-service corporations, who have seized the iron-ore, coal, and copper deposits of the nation, who have enclosed the public domain and laid their hands upon the banks and credit resources of the nation, and who, having exploited prostrate America, are now turning wistful eyes to the virgin opportunities of weak and defenseless peoples in other parts of the world.

It is these that are most active in urging a colossal naval programme and a large standing army. They assail the President and Congress for the inadequacy of their defense programmes, and attack any one as unpatriotic who questions their demands. Yet these same classes are unwilling to bear their share of the cost of preparedness; they cry confiscation when taxes are suggested on the things they own no heavier than England and Germany were carrying in times of peace. They suggest that the cost should be borne by a higher tariff and by indirect taxes on the things the peoples consume. They even meet proposals for the manufacture of armor-plate by the government by the threat that they will increase the cost of that commodity by $200 a ton. This is the answer of privilege to the demand that preparations for war should involve equal sacrifice.

Democracy has a right to insist that preparedness is not merely a demand for private profit; that an

increased navy is not designed as an agency for the promotion of overseas finance, and that militarism shall not be the grave of the things we hold most dear.

CHAPTER XXVI

THE POSSIBILITY OF WORLD PEACE

THERE can be no peace until we have a common factor of interest in peace. It may be the common factor of self-interest to the financiers and ruling classes or it may be the common factor of democracy. High finance may find that war is so costly that it cannot be longer afforded. It may find a cheaper way to insure concessions and protect its investments than by armaments. High finance may partition the world as it has partitioned parts of China; it may determine upon a common tribunal to which all of the concession seekers, investors, and privileged interests will consent to submit their claims. And this may be one of the results of the war. Tribunals may be established and accepted by all nations and countries seeking financial support for their development and the dominant powers may be glad of such an escape from the burdens which competition for naval preparedness has thrown upon their countries. This is a possible means of escape from the increased armaments which will otherwise follow the present war.

Constructive Proposals.

Two proposals along these lines have been made for the solution of the conflicts which arise over

concessions and overseas finance. They are both predicated on the assumption that private international finance must continue and that the nations of Europe will lend their support to the claims of their subjects in distant parts. These proposals are:

One, a suggestion by Mr. H. N. Brailsford that there be imposed on the groups of competing national concession hunters in each area the duty of amalgamating in a permanent international syndicate for the development and exploitation of that territory, such syndicate to control all of the railroad, mining, and other concessions in the territory.[1]

Two, the suggestion by Mr. Walter Lippmann that a permanent European senate be created to which would be submitted grievances, and to which colonial officials would report. The senate should have its own representatives in dependent countries who would render disinterested reports on questions as they arise. It would be a kind of upper house to the local legislative assembly with power to hold it responsible. The allegiance of concessionaires, financiers, and merchants should be turned from their own governments to this senate which would serve as a tribunal for the settlement of disputes without the aid of the foreign office and the navy.[2]

[1] *The New Republic*, May 8, 1915.
[2] *The Stakes of Diplomacy*, chap. IX.

Both of these proposals have precedents to support them. The financiers are familiar with a division of territory, with the closed door, with international syndicates for the exploitation of weaker peoples. They are accustomed to the idea of tribunals for the arbitrament of disputes growing out of industrial and financial conflicts. Such was the Algeciras Conference over Morocco, the Convention between Russia and England over Persia, the six-power-loan agreement as to China. But the acceptance of such a solution will depend upon the question of whether interests within the state are stronger than the state itself and whether those interests see in peace greater economic advantages than are to be obtained from preparations for war and the anarchy of conflict which now prevails.

This is the serious obstacle to these proposals in so far as they look to disarmament. For the concessionaires are also the financiers at home. Their profits from war and preparations for war are colossal. They are of many different kinds. And they ramify in so many directions and affect so many interests that they create a psychology that does not readily accept proposals for permanent peace. The financiers are closely interlocked with the munition makers. They are equally interested in the ship-building firms which build battleships. They market the securities and handle the loans. They are the contractors for the government. One needs

only to contemplate the change which came over the mind of America after the war orders had opened the Stock Exchange and converted a depression into a harvest of easy profits to realize how difficult it is to expect the financial powers to unite on a programme for peace or the munition makers to be enthusiastic over plans for disarmament. The whole psychology of the ruling classes is unresponsive to such a proposal.

The Impersonality of Finance.

In suggesting that the financial classes are influenced by such calculating and mercenary motives, it is not necessary to assume that they are any less humane than any other people or that they are any less honest in their personal dealings. But in modern business it is not the individual that acts, it is not the stockholders, it is not the individual director or president of a corporation. Rather it is a composite psychology of many men seeking to make profits out of business that creates conditions. And when financiers act they act as a class in which all individual or personal responsibility is merged in the impersonality of a group of corporations all related to one another and all bound by an implied trust or obligation to make as much money as possible. And it is doubtful if the experiences of this war are such as to impel the financial classes to promote or even lend their influence to the establishment of tribunals or courts

for the arbitrament of the disputes of their countries. Moreover, when the war is over the financial classes will be so intrenched with the governments of Europe as to be almost indistinguishably merged with them. Self-interest, far from urging the ruling and investing classes to seek means for the peaceful arbitrament of overseas conflicts will rather impel them to the continuance of the old order, unless the burdens of taxation upon incomes and inheritances are so nearly confiscatory that they will be driven to peace tribunals as a means of escape from bankruptcy. And the prostrate condition of the landed and ruling classes of Great Britain, Germany, Austria, and Russia may be such an impelling force that it will overcome any disinclination on the part of the financial institutions toward permanent peace, for in these countries the financial houses are the representatives of the ruling classes.

This is one of the hopeful signs on the horizon. Income taxes in Great Britain have risen to 33 per cent. on large incomes and promise to go higher. Taxes on wealth and inheritances in other countries will be equally high. From this there is no escape, for the tax burdens of Europe have been increased to nearly $3,000,000,000 already, merely to meet the carrying charges on the new indebtedness created. When the war is over the total taxes will probably be double what they were at the outbreak. They will amount to from $10,000,000,000

to $12,000,000,000 a year or an average of from $125 to $150 a family. They will consume from one-fourth to one-third of the total annual production of the warring powers.

Here is a potential force to bring about peace. The burden of taxation may lead to permanent or temporary repudiation of the interest as a means of enabling the countries to get to their feet again. It may lead to revolutions or democratic uprising that once started will spread all over Europe. It may lead to heavier taxation on the rich and privileged classes, to the taxation of the old feudal estates and their breaking up for peasant proprietors, it may lead to such an impoverishment of the nations that they will be unable to regain their former positions for many years to come. Any one of these contingencies might tend in the direction of peace; they might lead the ruling classes to seek some respite from the burdens of armaments and militarism and the abandonment of universal military service as a means of rebuilding the trade and industry of the country. The financial burdens of the war may be such that the privileged interests will of themselves turn from the sword to the ploughshare as a means and the only means of escape from personal bankruptcy and national insolvency.

The Mediterranean and the Trading Privileges.

Other economic interests are at war in addition to the financier and concession seeker. These in-

terests are even more closely identified with the security of empire than are the claims of high finance. The nations whose interests are most in conflict are Great Britain, Germany, and Russia. The economic clash is primarily between Germany and Great Britain. And the interests of these two countries seem irreconcilable. They go to the very heart of their position and power. They are deep-rooted in the commercial and financial life of these nations.

They involve not only a struggle of concessionaires and financiers, but of commerce and trade in every quarter of the globe. Freedom of trade and freedom of the seas are involved in this irreconcilable conflict. There are preferential tariffs in the colonies and the closed door of dependencies. England insists on maintaining the *status quo* under which she enjoys a controlling place in the trade routes of the world. The Mediterranean is in effect a British sea, commanded at Gibraltar and Egypt by England's possession of these two strategic points. The building of the Bagdad Railway is a menace to this control as well as the shipping and overseas trade of the British Empire. This new rail route threatens not only the life-cord of the British Empire; it strikes at the underpinning of the entire British financial world. If Germany completes her drive to the East, it will involve a financial and industrial revolution in Great Britain comparable to

the decay which set in in the Mediterranean cities with the opening of land routes to the Atlantic seaports in the later Middle Ages.

It is impossible to overstate this danger. The Bagdad Railway threatens to unsettle the financial, industrial, and mercantile foundations of Great Britain just as it will imperil the life of the empire. For the Bagdad Railway means a direct, cheap, and rapid means of communication from Germany and all of Europe into the Mediterranean, into Turkey, Asia Minor, Persia, the east coast of Africa, China, India, and all of the islands of the Pacific. It means an end of the potential power which Great Britain enjoys by reason of her control of the Mediterranean. More than this, England's place and power are largely dependent on the fact that she is the clearing-house of the world. Every spot on the globe clears its products through her ports. It is easily conceivable that with Hamburg, Bremen, and Lübeck as free ports in the North Sea, and with Constantinople and the Persian Gulf connected with these ports by rail, the supremacy which England enjoys in this respect might be impaired as well.

Here is something very like an *impasse*. The German drive to the East is a far greater menace to England than Russia has ever been. It means the rise of Germany to the place of commanding power not only in Europe, but in the Near and Far

East as well. Every one admits that the Bagdad Railway should be built. It will mean the ultimate development of a new civilization in Asia Minor, Mesopotamia, in Syria and the Euphrates valley, of a new empire of tremendous potentialities to the civilization of the future. But it means a sword of Damocles over the British Empire.

In this struggle between Germany and England all of the financial, commercial, mercantile, and trading classes are involved as is the merchant marine of the two countries.

A similar *impasse* exists between Russia and whichever power controls Constantinople and the Bosporus. The industrial life of Russia is dependent on the marketing of her surplus wheat. Her wheat exports pay the interest on her debt. They finance her imports. Her only open outlet is to the arctic seas, where the ports are closed for a part of the year.

Russia like Germany has dreams of empire to the south. They come into conflict with Great Britain in Persia and with Turkey at Constantinople. Here again is another seemingly irreconcilable warfare of interest which a solution of the conflicts of the financiers does not remove. And these conflicts of Germany, England, and Russia are all so identified with the life of these countries that any concession by either power involves the abandonment of imperial pretensions as well

as industrial and commercial advantages. Claims arising over these conflicts are not justiciable. They cannot be submitted to Hague tribunals.

These conflicts about the Mediterranean are among the most difficult problems which the war presents. It would seem that they will only be settled by occupation and force. They may delay the duration of the war far longer than would the purely European questions. For only exhaustion will induce Germany to abandon the contest for which she has so long been preparing, while Great Britain and Russia can only permit German supremacy in Turkey and Asia Minor as an admission of the beginning of the end of empire or the final defeat of the ambitions of centuries.

Only a big-visioned generosity can settle these questions. It must be the generosity of democracy, and a determination to forever end the embroilment of whole peoples in the conflicts of classes. There is only one rule to apply, and that is freedom, freedom of each nation to expand without let or hindrance from any other nation; equal freedom in colonial markets and freedom of the seas. The merchant marine of warring nations should be freed from seizure or attack; the strategic places of the earth should be internationalized, and the sovereignty of a nation should end with its own boundaries and those of its colonies. It should not be at the command of the trading and financial class. Only by

setting up a new ensign, a new standard in which the wider interests of the world will supersede the narrow interests of a class or a nation will the world be freed from the wars and preparations for war which have engulfed it.

CHAPTER XXVII

DEMOCRACY AND THE ROAD TO PEACE

World arbitration, international tribunals, mutual understandings are impossible so long as forces within the state are stronger than the state. There can be no peace between democracy and Junkerism, whether Junkerism be that of Prussia, Austria, Russia, Great Britain, or the United States, any more than there can be peace between the lion and the lamb. Nor can there be a meeting of the minds between states that are democratic and those that are still ruled by the feudal classes. They do not want the same things. They do not think in the same terms, they speak a different language, they have a different psychology, they have a different conception of the state. One sees this in the political struggle in this country. Privilege thinks as did the Bourbons, as did the Stuarts, as do the Hohenzollerns, the Hapsburgs, the Romanoffs. Privilege thinks of people as raw material for guns in time of war, for factories in time of peace. This is the psychology of privilege, whether it be in dynastic Europe or in America.

Privilege views the state as its agent; it uses it for hunger tariffs, for unjust taxation, for monop-

oly, for preparations for war, for war itself. And there can be no meetings of the minds between those countries that are ruled by privilege and those that are ruled by the people. That is why there is no concert of nations; that is why the Hague tribunal is a chimera. Privilege and democracy cannot unite on a peace programme, they cannot join in a peace conference because privilege and democracy have conceptions of the state that are forever at war.

Peace is the problem of democracy. Peace is the first great cause of labor. It overshadows almost every other cause. Permanent, lasting peace will only come through democracy, and democracy can only come with an end of war. Other classes, other forms of government are by instinct and interest against peace. For war is of the very life of privilege, whether it be the privilege of property or the privilege of blood.

Democracy not only in Europe but in America is the first step toward peace, and no permanent peace is possible so long as the privileged classes rule. It is privilege which rejects arbitration, a concert of powers, the establishment of peace tribunals. For privilege is interested in all the political, financial, and industrial profits of war and preparedness for war.

Labor, on the other hand, is at war with war. Labor acquires no conquered land. It enjoys no war

profits. It receives no increase in pay. It shares in no spoils. Labor pays to-day. It pays in posterity. And the peace of the future lies in the hands of labor, in the hands of democracy. For the cause of labor and the cause of democracy are one.

Is peace secure with democracy? Not absolutely. Yet the peaceful nations are the democratic nations. They are not aggressive. They welcome peace and disarmament proposals. They challenge secret diplomacy and financial conquest. Their governments are under a powerful check from public opinion. France, Denmark, Holland, Scandinavia, Switzerland are the nations of peace. They are militaristic only for actual defense. And were there universal democracy the way would be open for peace tribunals, for arbitration, for disarmament, and the arbitrament of international questions by peaceful means.

But even without universal democracy measures can be taken to identify all classes with a desire for peace. This is particularly true in the United States, where the danger of war is distant and militarism is not yet ascendant as it is in Europe. We should strike at the privileges, profits, and immunities which the ruling classes enjoy. If we end profit from war and preparations for war, if we democratize all of the agencies of foreign relations, so that they may not be used by privileged interests, then

we shall strike at the very foundations of privilege and shall tend to identify all classes with proposals for peace.

In the days of peace every precaution should be taken to insure that there are no forces making for war. Just as we now forbid the trafficking in certain drugs, in the sale of poisons, just as we forbid the making of any imprint that suggests a coin or currency, just as experience has demonstrated that men may not make profit out of certain things because of the danger of abuse, so in the gravest of all dangers laws should be passed taking from those who might gain from war or preparations for war every hope that advantage could come to them by such a calamity.

War should be made as difficult as possible. Now it is so easy. Fear is quickly aroused, national honor and offended dignity can be so easily played upon. Not alone the privileged classes, but Presidents, ministries, parliaments are all easily mobilized for war by the hue and cry of the press and the fear of public opinion. The army and navy can be so easily called into action for the defense of lives and property, to resent some indignity to the nation, to present a bold front as a means of indicating preparedness. All of the powers of war are ready to be unleashed at a moment's notice just as they were in Europe in the twenty-four hours that sent six great powers to the battle-field for

reasons that had not been explained to the people and as to the propriety of which they had no right, according to the traditions of politics, to be consulted.

It is only through an abandonment of the idea that those intrusted with power have an exclusive right to decide upon war, and the substitution of a public opinion equipped with all the facts and taken into the confidence of the ruling classes, that peace can be assured to the world. And only when war is not hovering on the horizon can precautions be taken that will insure the conditions that make for peace.

Among such measures of precaution, such guarantees of peace, are the following:

1. Democratize Foreign Affairs and End Secret Diplomacy.

Every obstacle should be placed in the way of easy war, of strained relations, of misunderstandings and the diplomatic irritations that form the prelude to war.

The making of war should be taken from foreign secretaries, Presidents, cabinets, parliaments, and congresses. War involves colossal financial burdens. It involves the offering of human life as well. And the responsibility for such sacrifices cannot with safety be delegated. It must be judged by each individual man and by each individual woman as well. The making of war should be lodged with

the people. And they should know all the facts. There should be as many obstacles to a declaration of war as possible.

The foreign service should be democratized. Foreign affairs should be conducted in the open. The relations of the State Department should be discussed in public rather than behind closed doors of executive sessions. A people have a right to know of their engagements to other powers, certainly when those engagements may lead them into war. There should be no suspicion of hidden engagements or financial influences in the foreign office.

The diplomatic service should be placed on a dignified basis. It should no longer be the political perquisite of the rich, the spoils of campaign contributors, or a means of personal aggrandizement. A great nation should not be the recipient of aid from the rich who accept ambassadorial posts. The foreign service should not be a caste apart, ignorant, by reason of its caste, of the real relation of peoples. It should be stripped of its eighteenth-century trappings, of the expense and social functionings which close the service to those best fitted for its performance. The salaries of diplomatic agents should be sufficient to open the service to all classes irrespective of their wealth.

Diplomacy should be an agency for promoting good-will between nations rather than suspicions,

irritations, and hostile feelings. Diplomatic representatives should reflect the opinions and ascertained wishes of the nation as a whole rather than the will of the class from which the foreign service is usually recruited. Diplomacy should have the generous quality that Franklin and Jefferson gave to it in their missions to France, a quality that has endeared the people of the two countries to each other ever since. Diplomacy should aim at national rather than class relationships; it should frankly reflect the democratic quality for which America should stand before the world.

Serious international questions should be placed in the hands of specially appointed representatives chosen for the particular mission or controversy. They should be detailed from the State Department and should be familiar with the traditions of the country and the matters in dispute.

2. Strip the Foreign Investor of His Privileges.

There should be a severance of the intimacy between the foreign office and the overseas investor; there should be a divorce between imperialism and finance. The merger is too dangerous to the state. The investor should stand on his own feet, as he does at home. He should take the risks of his investments in other lands and bear the consequences. The State Department should be closed in his face when he seeks its support.

The doctrine of Lord Palmerston that the flag

follows the investor should be repudiated. The government is no collection agency. The rule of caveat emptor should apply to the foreign investor and concession hunter. He should deal at his own risk with foreign nations and weaker peoples. His shady investments should not be able to command a human sacrifice; his dubious concessions should not be backed by the army and the navy.

Were this doctrine repudiated there would then be an end of spheres of financial influence, of protectorates, of colonization for the benefit of the investing class; there would be less demand for intervention, for the protection of private property. The sovereignty of the state would end with its boundaries.

Such a policy would reduce the cry for armaments, for navalism on the part of the privileged classes, a demand born of the doctrine that the nation is a debt-enforcing agency. Then the clamor of the press, owned and influenced by the investing class, would be stilled, and its voice would be free to join in the movement for peace.

So long as the doctrine is accepted that the foreign office, with the army and navy at its back, is a proper means for enforcing private contracts, so long will the plea for naval preparedness be justified. Protection to overseas investments follows as a natural corollary to this doctrine. And when a controversy does arise with some weaker power

conditions are such that the government is unable to secure accurate information, for disorder or revolution usually obtains. The channels of information are closed. The sources of publicity are influenced by the clamor of the investor and the press. This was true of the despatches from Mexico during the early days of the present administration. They were designed to promote intervention. The Spanish-American War was promoted by certain sections of the press which manufactured information to suit its own desires. Only by a declaration of policy in advance that the State Department will not be used to support private claimants, investors, and concession seekers in foreign lands can the government keep itself free from such entanglements as have been described in the preceding chapters. Such was the policy adopted by President Wilson in the early days of his administration. It kept us out of trouble in Central America; it saved us from being involved in China.

3. End the Profits of the Financial Classes.

There should be no profit from war. War should call for universal sacrifice, not sacrifice by the many and pecuniary profit by the few.

War loans should be raised by popular subscriptions. The government should be its own financial agent. It should do its own bond merchandising. Securities should be offered in small denominations, through the post-office and other agencies. What-

ever profit is to be made should be saved to the government, or be enjoyed by the ultimate investor, who now buys through the banks, financial institutions, and brokers.

It is a dangerous thing for the government to be in close alliance with the banking institutions, as our own experience after the Civil War demonstrates. It required fifty years to free the Treasury Department from financial influences that intrenched themselves during these years.

4. Government Ownership of Munition Plants.

There should be no class enriched by the making of munitions. There should be no incentive to any group to promote armaments, war scares, or preparation for war. There should be no lingering question in any minds of the subconscious influence of expected profits from its continuance. In time of war, the government should commandeer every shipyard, every powder factory, every shop for the making of guns, equipment, or munitions. During periods of peace the government should manufacture its own munitions and build its own battleships. The experience of Germany, England, and the United States offers convincing proof that patriotism loses its sacredness in the minds of many men when faced with the possibility of profit, and that the press is too easily influenced to accelerate public opinion when the panoply of patriotism can be thrown over the clamor for preparedness

Secrecy is of the first importance in such matters, and there is too great temptation to private battleship builders and munition makers to trade in secret information gained from government plans. The discoveries of the war office should be the exclusive possession of the government. They should not be open to private trading and dollar diplomacy, as was the case during a recent administration at Washington. Officers of the army and navy should not be permitted to pass back and forth from government to private service; they should not be permitted to enjoy patent rights in munitions and supplies purchased by the government, as has been the case at Washington. These evils would be avoided by the government manufacture of munitions.

5. End the Munitions Trust and the Munitions Lobby.

The munition makers are in effect a monopoly. In peace times they are an international monopoly. They make colossal profits. European war orders have added $1,000,000,000 to the value of the securities of corporations in the United States engaged in the manufacture of munitions and war supplies. There is no competition in contracts. The government has to pay the price demanded. Investigations at Washington have shown that the profits enjoyed by munition makers in recent years above the reasonable cost of production run into the tens of millions of dollars.

But the savings of millions of the public money

is of relatively small importance in comparison with other gains. Public ownership of munition plants would end the rich contracts which invite the munition lobby; it would free us from the suspicion that the agitation for armaments and preparedness is promoted and financed by the munition interests. For the munition makers of all countries are influential with the press. Any one familiar with the contributions of the big corporations "to accelerate public opinion" knows the extent to which business will go in the promotion of its interests when lured by colossal profits.

Disclosures in Germany, England, and Japan show that the munition makers own newspapers. They maintain expensive lobbies. Their stockholders stand high in parliaments, Reichstags and ministries. They promote war scares. They induce governments to scrap battleships and engines of war to bring about the purchase of new and bigger ones. They are largely responsible for the burdens of preparedness and the increase in war and naval appropriations that have been going on for the past twenty years.

Anything so serious as preparedness for defense should be free from the suspicion that it is being urged for profit. There should be no gain in the making of munitions. It should be a government monopoly, if for no other reason than to free the discussion from the suspicion that some classes

are expecting gains from the sacrifice of other classes.

6. A Citizen Army.

There should be no military caste in a democracy; no large group identified with war, and waiting for an opportunity to display its powers and advance its profession. An army educated to war, thinking of war, preparing for war, always has been a menace to peace. It cannot be otherwise. No class was ever trained to a profession that did not desire to use the training in which it had been prepared. This is a law of our being.

Every profession magnifies its own importance. The army and the navy respond to a universal principle. They become a powerful, invisible, unconscious lobby for more and more expenditure, for more and more men, for more and more engines of destruction. As a class they are detached from life, from the whole world that makes for peaceful progress.

Aside from such work as the building of the Panama Canal, the Alaskan Railway, and the many scientific activities with which the officers of the army and navy are identified, our expenditure for protection is a waste. The army and navy cost us $250,000,000 a year. Enlisted men are taught no trade or calling. They have more leisure than is good for them. They cannot marry, can have no home except the barracks, and when the

term of enlistment is over they are cast back into the army of untrained, unskilled men who have given the best years of their life to the nation.

7. Create an Army of Skilled Workers.

Many of the evils of militarism can be avoided by the creation of an industrial army employed in public undertakings now performed by private contract. The army should be used for the construction of river and harbor improvements, coast defenses, the Alaskan Railway, the Panama Canal; they can be employed in government workshops, arsenals, armor plants, and navy yards; in the production of munitions of war, the building of battleships, the manufacture of armor-plate, structural steel, and army supplies. When so employed they should be paid the regular wages of their craft.

Such industrial work need not interfere with military training. In fact it will greatly improve it. A soldier can be trained to the ordinary duties of war in a few months' time. But the real work of the soldier has become mechanical. It involves the manning, care, and repair of guns and munitions; the building and repair of roadways and bridges; the handling of supplies; the digging of trenches; and the maintaining of sanitary conditions. The soldier of to-day is a mechanician, and his efficiency is in direct proportion to his mechanical skill. The mere military qualifications of a generation ago are a thing of the past.

We need at all times from 200,000 to 300,000 skilled men in the United States. The munition shops should be training-schools for skilled mechanics. They would cost but little more than vocational schools. It has been estimated that a trade training adds from $7,000 to $10,000 to the industrial value of the individual worker.

The enlisted man should be given a vocational education. He should be encouraged to take examinations and pass from the rank of private to that of non-commissioned officer, and at the end of a certain period should be permitted to take examinations for admission to West Point and Annapolis. No position should be closed to him. Every soldier, as was said of the soldiers of Napoleon, should feel that he carries a marshal's baton in his knapsack. Under such an organization the army would be truly democratic. Officers prepared by trade training and graduating from the ranks into West Point and Annapolis would be far better officers than those whose knowledge is limited to four years of schooling. If real efficiency is desired for the army and navy it will be best secured in this way. The secret of Napoleon's army was its democratic quality. There is little caste to-day in the French army. The army of Switzerland is organized on a democratic basis. Men who offer their lives for their country should do it under the most equal terms possible. Even aside from other rea-

sons, this is the road to real efficiency, to the bringing out of talent and resourcefulness.

The officers of the army and navy should form the scientific arm of the government. They should be teachers in the military and vocational schools attached to the army and the navy. They should have charge of the workshops. They should be assigned to scientific research, to the promotion of the arts and sciences. Advancement should be by reason of contributions to peace, rather than through the building of more battleships and the enlistment of more regiments. The esprit de corps and devotion to ideals shown by these branches of the government should be dedicated to preparedness for peace rather than war.

By such a programme we should save much of the waste of our $250,000,000 appropriations. We should free the nation from the monopoly of the munitions trust and the steel trust. Better hours and a higher standard of living would be insured to the men, who would not be thrown upon the street at the end of their enlistment period, unfitted for any calling, as they are to-day. The army would no longer be an army of waste, it would no longer be a caste apart. It would become part of the life of the nation, merged with our common interests, ideals, and needs.

8. War Should Demand Universal Sacrifice.[1]

Finally war should demand equal sacrifice. Equality of sacrifice should be the first postulate of those who insist on preparedness. As to this there should be no question or dispute.

The privileged classes, however, seek to shift the cost of war and preparedness for war onto the poor. We are now being asked to expend $2,000,000,000 for preparedness and the taxes proposed are indirect consumption taxes that bear no relation to equality. These are to be added to the present customs and internal revenue taxes from which nearly all of our revenues are now obtained. For the fiscal year 1914 we collected $292,320,015 from customs and $380,041,000 from internal revenue taxes, inclusive of the income and corporation taxes. But the direct taxes yielded only $60,000,000 or 9 per cent. of the total collections from all sources. The remainder came from taxes on consumption.

Even a moderate concession to justice requires that a very much larger proportion of our revenues should come from wealth, incomes, and inheritances, rather than from the necessities and comforts of the poor. The least that should be asked is that wealth should share according to its ability in the burdens which armament involves. War and preparations for war should involve equal sacrifice.

[1] Portions of this paragraph have appeared in *The Outlook*, December 8, 1915.

Unhappily the tax burden of $610,000,000 from customs and excise taxation is only part of the burden of indirect taxation. For the customs duties not only increase the cost of all imported articles, they increase the cost of all articles produced in the country behind the protectionist wall. Economists estimate that the total burden to the consumer from customs duties alone amounts to from $1,500,000,000 to $2,000,000,000 a year.

Comparison of European and American Budgets.

Democratic America is even more undemocratic in its revenue measures than the autocratic countries of Europe. The United States collects approximately $3.20 per capita from customs taxes, while Germany collects $2.50; Austria-Hungary $2.25; France $2.60; Italy $2.00; Russia $0.84; and Japan $0.40. In addition the burden of internal revenue in the United States, which also falls most heavily upon the poor, is about $3.30 per capita. Thus the per-capita indirect taxes in the United States amount to $6.50 per capita, while the newly enacted income tax yields only about $0.60 per capita.

As compared with this showing Great Britain [1913–14] collected in peace times the sum of $236,245,000, or $5.40 per capita, from the income tax; and England has but 40 per cent. of the population of America, and the per-capita wealth and per-capita incomes are very much lower than in this country.

In addition she collected $136,795,000, or $3.10 per capita, from the inheritance tax or death duties. All told, Great Britain taxed wealth, incomes, and inheritances to the extent of $380,115,000, and collected 45 per cent. of her total revenues from these sources. In other words, the revenues from wealth, incomes, and inheritances in Great Britain were over six times the revenue derived from these sources in the United States.

Germany, relies upon the income tax for imperial, state, and city purposes. The exemption allowed is $225, and the tax rate is progressive. Under the imperial law of 1913 the empire collects income taxes varying from 1 per cent. on incomes of $225 up to 8 per cent. on incomes over $125,000. In Prussia and the Prussian cities the exemption is the same, and the rate rises from two-thirds of 1 per cent. on $225 to 4 per cent. on incomes over $25,000. In 1909, 84.7 per cent. of the Prussian direct taxes came from the income tax. In addition the bulk of the revenues of the cities comes from the income tax, which is added to and collected as part of the state system. The combined imperial, state, and local taxes sometimes rises as high as 12 per cent. to 15 per cent. on large incomes for all purposes.

The French income tax ranges from 3 per cent. to 4 per cent., while on incomes in excess of $1,000 a progressive surtax is added upon large incomes.

We have paid little attention to where the bur-

den of taxation falls. It is enough to secure the revenues. The incidence of the taxes imposed is scarcely considered. Yet justice in taxation is the first obligation of the state. That should be the most elementary of all principles of politics. The state has no right to compel one class to pay for the protection, safety, and advantages to another class. It certainly has no right to shift the cost onto those least able to bear it. Yet that is what we have done in America for the past fifty years.

Even an approach to justice demands that not more than half the Federal revenues should be collected from indirect taxation. The other half should be borne by wealth, incomes, and inheritances. The wealth of the United States is in the neighborhood of $180,000,000,000. And this wealth is very unevenly distributed, as are the incomes. At least $3,000,000,000 changes hands through death every year. If 50 per cent. of this sum, and this is a large estimate, were exempted from inheritance tax, it would leave an annual taxable fund of $1,500,000,000; which, if taxed at a moderately progressive rate, would yield $150,000,000 a year without serious burden to the beneficiaries. Certainly inheritances in excess of $1,000,000 could easily bear a tax of 10 per cent. without injustice to the recipients.

An additional $150,000,000 could be raised from an increase in the tax upon incomes. From these

combined sources $300,000,000 could easily be added to our Federal revenues. This would make it possible to discontinue the tariff upon sugar; it would enable the emergency war taxes to be repealed, and would approach a proper balancing of Federal taxation, so that at least $300,000,000 would be collected from property rather than from the necessities of the poor. Even then the contribution of the well-to-do classes would be far less than in Great Britain and Germany.

Conclusion.

These should be the democratic postulates of war and preparations for war. They are a recognition of the forces that lead to war. They constitute a flank attack on privilege, on those who profit by war and who refuse to pay their share of its burdens. They involve an extension of democracy into foreign relations, into diplomacy, into finance. They seek to eliminate the causes of war and by so doing prevent its appearance. They are precautionary proposals *before* war and should be made standing statutes so that all classes would know what to expect. They are obstacles to easy war. They offer a kind of peace insurance, of precautions against war for any other than purely defensive purposes.

With such a programme all classes would be identified with peace. There would be no profit to any class while universal sacrifice would be demanded.

Then all classes will be impelled to seek peace. Then war will be as costly to wealth as it now is to labor. Then war will mean only suffering, sacrifice, and waste. Then all classes will instinctively turn to securing disarmament, to the ending of preparedness, to some means for the common policing of those nations which refuse to join in a federation for peace. Then means will be found for the settlement of such disputes as now embroil the investing nations either by a tribunal created for that purpose or by abandoning the doctrine that the state is a collection and insurance agency for its subjects.

Such a consummation may be too much to hope for from the dynastic powers of Europe, but it is a democratic ideal to strive for. It is an ideal open to accomplishment in the United States and in large measure in France and Great Britain as well.

If twentieth-century wars are economic in their origin, if they are the outcome of the revolution that has taken place in finance, industry, and trade, they can only be ended by the elimination of the causes which make for war. That is the method of modern science. For so long as the cause remains the inevitable effects will follow. And war will remain the agency of privilege and the inevitable outcome of its ambitions until the powers and profits of privilege are taken away.

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